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# LEGISLATIVE HISTORY

Public Law 683—81st Congress

Chapter 673—2d Session

S. 3520

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ABACA PRODUCTION ACT OF 1950. Provides for continuation and expansion of Western Hemisphere production of abaca by the United States.

INDEX AND SUMMARY OF HISTORY OF S. 3520

May 1, 1950	S. 3520 was introduced by Senator Tydings and was referred to the Senate Committee on Armed Services. Print of the bill as introduced.
May 3, 1950	H. R. 8351 was introduced by Rep. Vinson and was referred to the House Committee on Armed Services. Print of the bill as introduced. (similar bill).
May 17, 1950	Hearings: Senate, S. 3520.
May 19, 1950	Senate Committee reported S. 3520 with amendments. Senate Report 1678. Print of the bill as reported.
June 8, 1950	Senate discussed and passed over S. 3520.
June 16, 1950	Senate debated and passed S. 3520 as reported.
June 19, 1950	Print of S. 3520 as referred to the House Committee on Armed Services.
June 20, 1950	Hearings: House, H. R. 8351.
July 18, 1950	House Committee reported S. 3520 with amendments. House Report 2586. Print of the bill as reported.
July 20, 1950	House Rules Committee reported House Res. 717 for the consideration of S. 3520. Print of the resolution. House Report 2657.
July 26, 1950	House debated and passed S. 3520 with amendments,
August 1, 1950	Senate agreed to the House amendments.
August 10, 1950	Approved. Public Law 683.







81<sup>ST</sup> CONGRESS  
2<sup>D</sup> SESSION

# S. 3520

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## IN THE SENATE OF THE UNITED STATES

MAY 1 (legislative day, MARCH 29), 1950

Mr. TYDINGS introduced the following bill; which was read twice and referred to the Committee on Armed Services

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## A BILL

To strengthen the common defense by providing for continuation and expansion of Western Hemisphere production of abacá by the United States.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That this Act may be cited as the "Abacá Production Act  
4       of 1950".

### DECLARATION OF POLICY

5  
6       SEC. 2. Whereas abacá, a hard fiber used in the making  
7       of marine and other cordage, is a highly strategic and critical  
8       material which cannot be produced in commercial quantities  
9       in the continental United States, and of which an adequate  
10       supply is vital to the industrial and military requirements

1 for the common defense of the United States; therefore, it  
2 has been the policy of the United States to continue the  
3 program for production and sale of abacá in which it was  
4 engaged at the termination of hostilities of World War II,  
5 and it is hereby declared to be the policy of the United  
6 States to encourage abacá production, and in that connection  
7 to further the development and maintenance of abacá pro-  
8 duction in the Western Hemisphere through aid and supple-  
9 mentation of operations under the Strategic and Critical  
10 Materials Stock Piling Act (60 Stat. 596) and the national  
11 security and common defense.

12 PROGRAM

13 SEC. 3. (a) Production of abacá in the Western Hemi-  
14 sphere shall be continued: *Provided*, That the total acreage  
15 under cultivation shall not exceed the aggregate under culti-  
16 vation as of the close of the month next preceding the  
17 date upon which this Act shall become effective, except  
18 that additional acreage may be added in the Western Hemi-  
19 sphere at the direction of the President and reduction of  
20 acreage under cultivation to abacá under this Act shall  
21 be effected whenever the President shall so direct: *And*  
22 *provided further*, That in no event shall the total number  
23 of acres under cultivation to abacá under this Act at any  
24 one time exceed fifty thousand.

25 (b) Such surveys and research may be undertaken as



1 are necessary or desirable to obtain the best available land  
2 in the Western Hemisphere for the production of abacá,  
3 the best development of abacá and development and main-  
4 tenance of the plantations for the production of abacá  
5 established on such land, and the most economical and  
6 practical processing and disposition of such fiber and by-  
7 products as result from the production of abacá on such  
8 land.

9 (c) Abacá fiber, produced under this Act, which from  
10 time to time is not needed for stock piling under the Stra-  
11 tegic and Critical Materials Stock Piling Act (60 Stat. 596),  
12 as amended, may be sold otherwise than for stock piling  
13 under such Act.

#### 14 ADMINISTRATION

15 SEC. 4. (a) The President may issue such rules and  
16 regulations and make such determinations as he deems neces-  
17 sary and appropriate to carry out the provisions of this  
18 Act.

19 (b) All contracts entered into and all acquisitions of  
20 property effected under this Act shall be in such manner  
21 and on such terms and conditions as the President shall  
22 determine.

23 (c) The President may exercise any or all of the powers,  
24 authority, and discretion conferred upon him by this Act  
25 through such departments, agencies, officers, Government

1 corporations, or instrumentalities of the United States,  
2 whether or not existing at the date of the enactment of this  
3 Act, as he may direct.

4 (d) The President may transfer to the departments,  
5 agencies, officers, Government corporations, or instrumen-  
6 talities of the United States, or to any of them, which he  
7 directs to exercise the powers, authority, and discretion con-  
8 ferred upon him by this Act, such facilities, personnel, prop-  
9 erty, and records relating to such powers, authority, and  
10 discretion, as he deems necessary; and he may so transfer  
11 all appropriations or other funds available for carrying out  
12 such powers, authority, and discretion.

13 (e) The financial transactions authorized by this Act  
14 shall be subject to the Government Corporation Control Act,  
15 as amended, and other laws specifically applicable to wholly  
16 owned Government corporations as a class.

17 FINANCING

18 SEC. 5. (a) For the purpose of carrying out the func-  
19 tions authorized by this Act, there is hereby established in  
20 the Treasury a revolving fund which shall consist of (1)  
21 such amounts as the Congress may appropriate thereto,  
22 which appropriations are hereby authorized, (2) such  
23 amounts as may be paid into the fund pursuant to sub-  
24 section (e) of this section, and (3) amounts received in



1 connection with any transfer pursuant to subsection 4 (d)  
2 of this Act.

3 (b) Pursuant to regulations prescribed by the Presi-  
4 dent, the Secretary of the Treasury is authorized and directed  
5 to make advances from the fund not to exceed a total of  
6 \$35,000,000 outstanding at any one time. There shall be  
7 added to such advances and treated as advances an amount  
8 equal to the net value of assets of the program for the pro-  
9 duction and sale of abacá as held by the Reconstruction  
10 Finance Corporation on the effective date of this Act.

11 (c) Interest shall be paid on each outstanding advance  
12 at such rates as may be determined by the Secretary of the  
13 Treasury to be appropriate in view of the terms for which  
14 such advances are made.

15 (d) Appropriations are hereby authorized for payment  
16 in the form of a grant, in such amounts as may be estimated  
17 in the annual budget as necessary to cover losses. The an-  
18 nual budget program shall specifically set forth any losses  
19 sustained in excess of the grant previously made for the last  
20 completed fiscal year. Appropriations are hereby authorized  
21 for payment to cover such additional losses incurred.

22 (e) Receipts for each fiscal year may be used for pay-  
23 ment of the costs incurred in connection with projects and  
24 activities authorized by this Act. After providing out of

1 such receipts for necessary working capital requirements,  
2 any amounts in excess thereof shall be paid annually into  
3 the fund. Such payment shall be applied to reduce the  
4 amount of advances outstanding, and any remaining pay-  
5 ments shall be covered into the Treasury as miscellaneous  
6 receipts.

7 (f) Until such time as the appropriations herein author-  
8 ized are made, such of the powers, authority, and discretion  
9 provided for in this Act as the President may delegate to  
10 the Reconstruction Finance Corporation may be exercised  
11 by the Reconstruction Finance Corporation under the author-  
12 ity conferred by former section 5d (3) of the Reconstruction  
13 Finance Corporation Act, as amended (54 Stat. 573, 961;  
14 55 Stat. 249) ; joint resolution approved June 30, 1945,  
15 (59 Stat. 310) ; and section 12 of the Reconstruction Fi-  
16 nance Corporation Act, as amended (61 Stat. 207), with  
17 funds recovered or recoverable from its national defense, war,  
18 and reconversion activities.

#### 19 DISPOSAL OF PROPERTY

20 SEC. 6. Whenever the President shall determine that  
21 any property is excess to the purposes of this Act, or that  
22 adequate supplies of abacá will be available from other  
23 sources within the Western Hemisphere on a basis accept-  
24 able to the United States, property held for the purposes of

1 this Act may be disposed of in such manner and on such  
2 terms and conditions as the President may prescribe.

3 REPORTS

4 SEC. 7. Within six months after the close of each fiscal  
5 year a report shall be submitted to the Congress on the  
6 activities under this Act.

7 EFFECTIVE DATE AND DURATION

8 SEC. 8. This Act shall become effective on April 1,  
9 1950, and shall remain effective for ten years thereafter,  
10 unless the President shall direct earlier termination of opera-  
11 tions, and for such further period as is necessary to the  
12 earliest practicable liquidation of operations under this Act.

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# A BILL

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To strengthen the common defense by providing  
for continuation and expansion of Western  
Hemisphere production of abacá by the  
United States.

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By Mr. TYDINGS

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MAY 1 (legislative day, MARCH 29), 1950

Read twice and referred to the Committee on  
Armed Services





81<sup>ST</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 8351

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## IN THE HOUSE OF REPRESENTATIVES

MAY 3, 1950

Mr. VINSON introduced the following bill; which was referred to the Committee on Armed Services

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## A BILL

To strengthen the common defense by providing for continuation and expansion of Western Hemisphere production of abacá by the United States.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That this Act may be cited as the "Abacá Production Act  
4       of 1950".

### DECLARATION OF POLICY

5  
6       SEC. 2. Whereas abacá, a hard fiber used in the making  
7       of marine and other cordage, is a highly strategic and critical  
8       material which cannot be produced in commercial quanti-  
9       ties in the continental United States, and of which an ade-  
10      quate supply is vital to the industrial and military require-



1 ments for the common defense of the United States, there-  
2 fore, it has been the policy of the United States to continue  
3 the program for production and sale of abacá in which it was  
4 engaged at the termination of hostilities of World War II,  
5 and it is hereby declared to be the policy of the United  
6 States to encourage abacá production, and in that connection  
7 to further the development and maintenance of abacá pro-  
8 duction in the Western Hemisphere through aid and sup-  
9 plementation of operations under the Strategic and Critical  
10 Materials Stock Piling Act (60 Stat. 596) and the national  
11 security and common defense.

12 PROGRAM

13 SEC. 3. (a) Production of abacá in the Western Hemi-  
14 sphere shall be continued: *Provided*, That the total acreage  
15 under cultivation shall not exceed the aggregate under culti-  
16 vation as of the close of the month next preceding the date  
17 upon which this Act shall become effective, except that  
18 additional acreage may be added in the Western Hemisphere  
19 at the direction of the President and reduction of acreage  
20 under cultivation to abacá under this Act shall be effected  
21 whenever the President shall so direct: *And provided further*,  
22 That in no event shall the total number of acres under  
23 cultivation to abacá under this Act at any one time exceed  
24 fifty thousand.

25 (b) Such surveys and research may be undertaken as



1 are necessary or desirable to obtain the best available land  
2 in the Western Hemisphere for the production of abacá, the  
3 best development of abacá and development and mainte-  
4 nance of the plantations for the production of abacá estab-  
5 lished on such land, and the most economical and practical  
6 processing and disposition of such fiber and byproducts as  
7 result from the production of abacá on such land.

8 (c) Abacá fiber, produced under this Act, which from  
9 time to time is not needed for stock piling under the Strategic  
10 and Critical Materials Stock Piling Act (60 Stat. 596), as  
11 amended, may be sold otherwise than for stock piling under  
12 such Act.

#### 13 ADMINISTRATION

14 SEC. 4. (a) The President may issue such rules and  
15 regulations and make such determinations as he deems neces-  
16 sary and appropriate to carry out the provisions of this Act.

17 (b) All contracts entered into and all acquisitions of  
18 property effected under this Act shall be in such manner  
19 and on such terms and conditions as the President shall  
20 determine.

21 (c) The President may exercise any or all of the  
22 powers, authority, and discretion conferred upon him by  
23 this Act through such departments, agencies, officers, Gov-  
24 ernment corporations, or instrumentalities of the United

1 States, whether or not existing at the date of the enactment  
2 of this Act, as he may direct.

3 (d) The President may transfer to the departments,  
4 agencies, officers, Government corporations, or instrumen-  
5 talities of the United States, or to any of them, which he  
6 directs to exercise the powers, authority, and discretion  
7 conferred upon him by this Act, such facilities, personnel,  
8 property, and records relating to such powers, authority, and  
9 discretion, as he deems necessary; and he may so transfer  
10 all appropriations or other funds available for carrying out  
11 such powers, authority, and discretion.

12 (e) The financial transactions authorized by this Act  
13 shall be subject to the Government Corporation Control Act,  
14 as amended, and other laws specifically applicable to wholly  
15 owned Government corporations as a class.

16 FINANCING

17 SEC. 5. (a) For the purpose of carrying out the func-  
18 tions authorized by this Act, there is hereby established in  
19 the Treasury a revolving fund which shall consist of (1)  
20 such amounts as the Congress may appropriate thereto,  
21 which appropriations are hereby authorized, (2) such  
22 amounts as may be paid into the fund pursuant to subsection  
23 (e) of this section, and (3) amounts received in connection  
24 with any transfer pursuant to subsection 4 (d) of this Act.

1       (b) Pursuant to regulations prescribed by the Presi-  
2 dent, the Secretary of the Treasury is authorized and directed  
3 to make advances from the fund not to exceed a total of  
4 \$35,000,000 outstanding at any one time. There shall be  
5 added to such advances and treated as advances an amount  
6 equal to the net value of assets of the program for the pro-  
7 duction and sale of abacá as held by the Reconstruction  
8 Finance Corporation on the effective date of this Act.

9       (c) Interest shall be paid on each outstanding advance  
10 at such rates as may be determined by the Secretary of the  
11 Treasury to be appropriate in view of the terms for which  
12 such advances are made.

13       (d) Appropriations are hereby authorized for payment  
14 in the form of a grant, in such amounts as may be estimated  
15 in the annual budget as necessary to cover losses. The  
16 annual budget program shall specifically set forth any losses  
17 sustained in excess of the grant previously made for the last  
18 completed fiscal year. Appropriations are hereby author-  
19 ized for payment to cover such additional losses incurred.

20       (e) Receipts for each fiscal year may be used for pay-  
21 ment of the costs incurred in connection with projects and  
22 activities authorized by this Act. After providing out of  
23 such receipts for necessary working capital requirements,  
24 any amounts in excess thereof shall be paid annually into

1 the fund. Such payment shall be applied to reduce the  
2 amount of advances outstanding, and any remaining pay-  
3 ments shall be covered into the Treasury as miscellaneous  
4 receipts.

5 (f) Until such time as the appropriations herein author-  
6 ized are made, such of the powers, authority, and discretion  
7 provided for in this Act as the President may delegate to the  
8 Reconstruction Finance Corporation may be exercised by  
9 the Reconstruction Finance Corporation under the authority  
10 conferred by former section 5d (3) of the Reconstruction  
11 Finance Corporation Act, as amended (54 Stat. 573, 961;  
12 55 Stat. 249), joint resolution approved June 30, 1945 (59  
13 Stat. 310), and section 12 of the Reconstruction Finance  
14 Corporation Act, as amended (61 Stat. 207), with funds  
15 recovered or recoverable from its national defense, war, and  
16 reconversion activities.

#### 17 DISPOSAL OF PROPERTY

18 SEC. 6. Whenever the President shall determine that  
19 any property is excess to the purposes of this Act, or that  
20 adequate supplies of abacá will be available from other  
21 sources within the Western Hemisphere on a basis acceptable  
22 to the United States, property held for the purposes of this  
23 Act may be disposed of in such manner and on such terms  
24 and conditions as the President may prescribe.

## REPORTS

2 SEC. 7. Within six months after the close of each fiscal  
3 year a report shall be submitted to the Congress on the  
4 activities under this Act.

### EFFECTIVE DATE AND DURATION

6 SEC. 8. This Act shall become effective on April 1,  
7 1950, and shall remain effective for ten years thereafter,  
8 unless the President shall direct earlier termination of opera-  
9 tions, and for such further period as is necessary to the  
10 earliest practicable liquidation of operations under this Act.



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## A BILL

To strengthen the common defense by providing for continuation and expansion of Western Hemisphere production of abaca by the United States.

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By Mr. VINSON

MAY 3, 1950

Referred to the Committee on Armed Services







# ABACÁ PRODUCTION ACT OF 1950

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## HEARING

BEFORE A

### SUBCOMMITTEE OF THE COMMITTEE ON ARMED SERVICES UNITED STATES SENATE

EIGHTY-FIRST CONGRESS

SECOND SESSION

ON

## S. 3520

A BILL TO STRENGTHEN THE COMMON DEFENSE BY PROVIDING FOR CONTINUATION AND EXPANSION OF WESTERN HEMISPHERE PRODUCTION OF ABACÁ BY THE UNITED STATES

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MAY 17, 1950

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Printed for the use of the Committee on Armed Services



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# ABACÁ PRODUCTION ACT OF 1950

WEDNESDAY, MAY 17, 1950

UNITED STATES SENATE,  
SUBCOMMITTEE OF THE COMMITTEE ON ARMED SERVICES,  
Washington, D. C.

The subcommittee met, pursuant to call, at 10:35 a. m., in the committee room, room 212, Senate Office Building, Senator Lester C. Hunt (chairman of the subcommittee composed of Senators Hunt, Johnson of Texas, and Gurney) presiding.

Present: Senator Hunt.

Also present: J. M. Chambers, of the committee staff.

Senator HUNT. The committee will come to order.

The hearing this morning is with reference to S. 3520, which will be inserted in the record at this point.

(The bill referred to, S. 3520, follows:)

[S. 3520, 81st Cong., 2d sess.]

A BILL To strengthen the common defense by providing for continuation and expansion of Western Hemisphere production of abacá by the United States

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Abacá Production Act of 1950".*

## DECLARATION OF POLICY

SEC. 2. Whereas abacá, a hard fiber used in the making of marine and other cordage, is a highly strategic and critical material which cannot be produced in commercial quantities in the continental United States, and of which an adequate supply is vital to the industrial and military requirements for the common defense of the United States; therefore, it has been the policy of the United States to continue the program for production and sale of abacá in which it was engaged at the termination of hostilities of World War II, and it is hereby declared to be the policy of the United States to encourage abacá production, and in that connection to further the development and maintenance of abacá production in the Western Hemisphere through aid and supplementation of operations under the Strategic and Critical Materials Stock Piling Act (60 Stat. 596) and the national security and common defense.

## PROGRAM

SEC. 3. (a) Production of abacá in the Western Hemisphere shall be continued: *Provided*, That the total acreage under cultivation shall not exceed the aggregate under cultivation as of the close of the month next preceding the date upon which this Act shall become effective, except that additional acreage may be added in the Western Hemisphere at the direction of the President and reduction of acreage under cultivation to abacá under this Act shall be effected whenever the President shall so direct: *And provided further*, That in no event shall the total number of acres under cultivation to abacá under this Act at any one time exceed fifty thousand.

(b) Such surveys and research may be undertaken as are necessary or desirable to obtain the best available land in the Western Hemisphere for the production of abacá, the best development of abacá and development and maintenance of the plantations for the production of abacá established on such land, and the

most economical and practical processing and disposition of such fiber and by-products as result from the production of abacá on such land.

(c) Abacá fiber, produced under this Act, which from time to time is not needed for stock piling under the Strategic and Critical Materials Stock Piling Act (60 Stat. 596), as amended, may be sold otherwise than for stock piling under such Act.

#### ADMINISTRATION

SEC. 4. (a) The President may issue such rules and regulations and make such determinations as he deems necessary and appropriate to carry out the provisions of this Act.

(b) All contracts entered into and all acquisitions of property effected under this Act shall be in such manner and on such terms and conditions as the President shall determine.

(c) The President may exercise any or all of the powers, authority, and discretion conferred upon him by this Act through such departments, agencies, officers, Government corporations, or instrumentalities of the United States, whether or not existing at the date of the enactment of this Act, as he may direct.

(d) The President may transfer to the departments, agencies, officers, Government corporations, or instrumentalities of the United States, or to any of them, which he directs to exercise the powers, authority, and discretion conferred upon him by this Act, such facilities, personnel, property, and records relating to such powers, authority, and discretion, as he deems necessary; and he may so transfer all appropriations or other funds available for carrying out such powers, authority, and discretion.

(e) The financial transactions authorized by this Act shall be subject to the Government Corporation Control Act, as amended, and other laws specifically applicable to wholly owned Government corporations as a class.

#### FINANCING

SEC. 5. (a) For the purpose of carrying out the functions authorized by this Act, there is hereby established in the Treasury a revolving fund which shall consist of (1) such amounts as the Congress may appropriate thereto, which appropriations are hereby authorized, (2) such amounts as may be paid into the fund pursuant to subsection (e) of this section, and (3) amounts received in connection with any transfer pursuant to subsection 4 (d) of this Act.

(b) Pursuant to regulations prescribed by the President, the Secretary of the Treasury is authorized and directed to make advances from the fund not to exceed a total of \$35,000,000 outstanding at any one time. There shall be added to such advances and treated as advances an amount equal to the net value of assets of the program for the production and sale of abacá as held by the Reconstruction Finance Corporation on the effective date of this Act.

(c) Interest shall be paid on each outstanding advance at such rates as may be determined by the Secretary of the Treasury to be appropriate in view of the terms for which such advances are made.

(d) Appropriations are hereby authorized for payment in the form of a grant, in such amounts as may be estimated in the annual budget as necessary to cover losses. The annual budget program shall specifically set forth any losses sustained in excess of the grant previously made for the last completed fiscal year. Appropriations are hereby authorized for payment to cover such additional losses incurred.

(e) Receipts for each fiscal year may be used for payment of the costs incurred in connection with projects and activities authorized by this Act. After providing out of such receipts for necessary working capital requirements, any amounts in excess thereof shall be paid annually into the fund. Such payment shall be applied to reduce the amount of advances outstanding, and any remaining payments shall be covered into the Treasury as miscellaneous receipts.

(f) Until such time as the appropriations herein authorized are made, such of the powers, authority, and discretion provided for in this Act as the President may delegate to the Reconstruction Finance Corporation may be exercised by the Reconstruction Finance Corporation under the authority conferred by former section 5d (3) of the Reconstruction Finance Corporation Act, as amended (54 Stat. 573, 961; 55 Stat. 249); joint resolution approved June 30, 1945, (59 Stat. 310); and section 12 of the Reconstruction Finance Corporation Act, as amended (61 Stat. 207), with funds recovered or recoverable from its national defense, war, and reconversion activities.



## DISPOSAL OF PROPERTY

SEC. 6. Whenever the President shall determine that any property is excess to the purposes of this Act, or that adequate supplies of abacá will be available from other sources within the Western Hemisphere on a basis acceptable to the United States, property held for the purposes of this Act may be disposed of in such manner and on such terms and conditions as the President may prescribe.

## REPORTS

SEC. 7. Within six months after the close of each fiscal year a report shall be submitted to the Congress on the activities under this Act.

## EFFECTIVE DATE AND DURATION

SEC. 8. This Act shall become effective on April 1, 1950, and shall remain effective for ten years thereafter, unless the President shall direct earlier termination of operations, and for such further period as is necessary to the earliest practicable liquidation of operations under this Act.

Senator HUNT. We will first hear General Quinton, representing the Munitions Board.

**STATEMENT OF MAJ. GEN. A. B. QUINTON, JR., MUNITIONS BOARD, ACCOMPANIED BY LEONARD NIEDERLEHNER AND FRANK HUDDLE**

General QUINTON. Mr. Chairman, Mr. Howard asked me to appear this morning because he could not be here.

Now, it is proposed that Mr. Hawkins, who is a consultant to the Munitions Board, and who has devoted a considerable part of his time to the study of this problem with respect to operations in Central America, and the RFC, who are the operators, will be the principal witness for the Munitions Board.

So, at this time, I would like to introduce, if I may, Mr. Hawkins; and I seek your indulgence in his reading of a statement to the committee.

Senator HUNT. All right; thank you, General.  
Mr. Hawkins, you may be seated.

**STATEMENT OF ERNEST H. HAWKINS, MUNITIONS BOARD**

Mr. HAWKINS. Thank you, Senator.

Senator HUNT. Please identify yourself before starting your statement.

Mr. HAWKINS. Ernest H. Hawkins, Munitions Board.

Senator HUNT. All right, you may proceed.

Mr. HAWKINS. We are concerned with the serious prospect of a scarcity of cordage fiber during a possible future emergency.

Manila fiber, also called abacá, is highly essential in industry and for military purposes to make good grade rope. Next to rubber, abacá is probably the most important agricultural material being stockpiled.

As we learned in World War II, a shortage of abacá is a very serious thing; substitutes proved unsatisfactory, uneconomical, unsafe, or wasteful of manpower and strategic materials.

Abacá cannot be grown in the United States. It is grown only in tropical countries near the equator where there is much sun and rain and little wind. In the past, the Philippine Islands have produced

95 to 98 percent of the world's abacá, but the Philippines would not be a dependable source in time of emergency as they are more than 8,000 miles of water haul from the United States. During World War II, of course, the Philippines were cut off from us for most of the war.

We are stockpiling both abacá and sisal, which is the next highest grade of fiber below abacá. We have difficulty getting enough abacá for the stockpile; world production has declined to about one-third of prewar reserves and the price is nearly four times as high as before the war. Our lifesaver is the fact that we still have five abacá plantations that were sponsored by the Reconstruction Finance Corporation during World War II in Central America. At the present time, these plantations are giving us an important margin of supplies for the industry and the stockpile and, in time of future war, they would be even more important.

The Central American plantations are only a comparatively short distance away from the United States by water and the Pan-American Highway runs within a few miles of the plantations at the present time. I think we have a map which shows that picture.

Senator HUNT. What is that mileage?

Mr. HUDDLE. It would only be a guess.

Senator HUNT. Give us a guess.

Mr. HUDDLE. About one thousand miles.

Senator HUNT. As compared with the other mileage—you have the Philippines noted. Give us an idea on time if you do not know the mileage. What I want to get in the record is a preference of this production over the Philippine Islands.

Mr. HUDDLE. Well, on an average freight shipping job, I think it would be about 4 days, 3 or 4 days by slow freighter to the Gulf ports from the plantations.

Senator HUNT. All right, Mr. Hawkins, if you will go ahead.

Mr. HAWKINS. Quick action is necessary not only to improve but to preserve our position as to abacá supplies. We lack assurance that Philippine abacá will continue to be available in large quantities. At the same time, the Reconstruction Finance Corporation requires additional peacetime authority to continue the Central American operation.

We believe it is essential to the national security that the Central American plantations be continued, and that the acreage in abacá be expanded to 50,000, which would involve an additional investment of possibly \$35,000,000. This would not, however, entail any appropriation at this time.

If this recommendation is followed, the stockpile procurement program would be strengthened, the consequences to the national security of a further decline in Philippine production would be minimized; the stockpile objective could be reduced because of the additional availability of a stockpile in the ground close by; and the availability of a source of supply under Government jurisdiction would facilitate the rotation of abacá stocks which deteriorate in the course of time.

We are satisfied that this is a practical, economical solution to the problem of obtaining enough supplies of abacá fiber for wartime. We have examined alternative solutions and have found none that

are both practical and dependable. Up until now, the Government-sponsored plantations in Central America have paid their own way and have proved a prudent investment for the Government.

But tropical agriculture is a risky business and private enterprise has shown no inclination to undertake it on so narrow a margin as is necessary in the case of abacá. For us to rely on Philippine production alone to satisfy the stockpile would be most hazardous. Were the Central American plantations to be closed, the Philippines would be essentially the sole source of supply of abacá, and there would be too many claimants against this diminished source of supply.

Apart from the uneconomic circumstance inherent in a single major source of supply is the traditional hazard of having all one's eggs in a single basket; Philippine production might at any time be gravely impaired by the spread of plant diseases, by labor or land policy, or possibly even by a serious storm.

Although small in comparison with the Philippine abacá industry, our abacá program in Central America offers disproportionate advantages to the national security.

It would be possible at this time, I understand, to liquidate our Western Hemisphere abacá plantations and thereby recover all of the Government's wartime investment in abacá.

It would also increase for a brief period the rate of stockpile accessions of abacá as a result of butcher harvesting. That means cleaning up the stuff. But unless energetic measures are taken now to expand Western Hemisphere production, our stockpile requirements for abacá would be too large to be purchased within the foreseeable future and, even if they were available for purchase, they would deteriorate before they could be rotated in the stockpile.

Compared with an average world production of 427,000,000 pounds of abacá during the prewar years 1934-38, world abacá production in 1949 was only 181,000,000 pounds.

Moreover, the 1949 figure includes 39,000,000 pounds of abacá from our Central American plantations, and I understand the total production, Philippines and Central America in 1949, was about 181,000,000 pounds.

Thus, the circumstances still prevail that led to Government interest and later sponsorship of Western Hemisphere ventures in abacá production.

It might be claimed that this proposed enterprise would preclude the development in other areas. Such is not intended, and indeed would not be the case. The Government should consider any other abacá undertaking which gives promise of success.

Abacá is a long, hard, rope fiber. It is extracted from a tropical plant belonging to the banana family. The mature plant is tall and long-leaved, with 8 to 12 stalks growing in a cluster from a single root. The plant is native to the Philippine Islands. Up to World War II, the Philippines produced almost all the world's supply of the fiber.

The abacá plant usually is propagated from root stock. It takes from 2 to 3 years to reach maturity although some fiber may be harvested 18 months after planting the root stock.

Abacá needs a moist tropical climate, a fertile and well-drained, loose-textured soil, and considerable attention. It must be sheltered



from strong winds because the tall stalks are easily blown over. No part of the United States has suitable conditions or climate for growing abacá.

Although abacá is at the top of the list of cordage fibers, its technology has not been brought to the highest possible level. In the Philippines, much of the production of abacá is on a small scale, I understand.

The extraction of the fiber is usually performed either by hand or on a very simple decorticating machine. Only some 5 percent of Philippine abacá is cleaned in large-volume machinery.

On Central American abacá plantations, machinery has been developed to perform the processing of fiber automatically in large volume. By this process the pulp that surrounds the fiber, instead of being scraped away slowly as in the Philippine process, is rapidly squeezed and scraped away under pressure.

A definite but "floating" relationship exists between abacá and other cordage fibers.

Senator HUNT. Did you intend to pass up that paragraph?

Mr. HAWKINS. Yes; I think so.

A definite but "floating" relationship exists between abacá and other cordage fibers. Abacá is the strongest and most expensive of agricultural cordage fibers; sisal is about four-fifths as strong as abacá but costs somewhat less. Henequen is still weaker and less expensive. Within limits, each of these three fibers can be substituted for the others or mixed with them. Abacá is preferred for quality uses. Sisal predominates in baler twine. Henequen is used in the cheaper grades of cord and is better for binder twine for use in grain binders because it is stiff and ties well.

The selection of abacá, sisal, or henequen for any given use will depend on relative price and availability as well as on the particular characteristics of each fiber and the end-product specifications needed.

Even if abacá production were to be expanded threefold over present levels, the fiber would still remain in short supply if the price were reduced relative to the prices of other cordage fibers.

Conversely, as the price of abacá rises, producers of finished cordage turn for raw material first to sisal and then to henequen. In time of war they go on to jute and hemp.

The wartime requirement of the United States for abacá is very large. The fiber has valuable properties of length, strength, durability elasticity, cheapness, and resistance, particularly resistance to salt-water rot.

No domestically produced fiber and no commercial agricultural fiber can match its combination of qualities. The best two substitutes for abacá (sisal and nylon) are each of strategic importance in their own right, and would not be available as wartime replacements for abacá. Indeed, sisal is being stock-piled—along with abacá—because of its essential use as agricultural rope and baler twine.

Among synthetic fibers, nylon is actually superior to abacá in length, strength, and elasticity. But nylon is about six times as expensive as abacá. Moreover, coarse nylon yarn would be needed in wartime up to the limit of available production for specialty purposes of its own—such as for tire fabric in military aircraft tires, for



glider towlines, mountain rope, parachute shrouds and cord, and many other uses.

Abacá fiber is used in the manufacture of such essential wartime equipment as marine cable and rope, lifeboat falls, cargo netting, pioneer-troop equipment, lashings, tent rope, packs and troop gear, and the like. It is used extensively in such industries as construction (in derrick rigging and hoises), logging, farming, petroleum (well-drilling rope), and various specialized uses.

An insufficiency of abacá in wartime would be felt throughout most industries, and particularly by the military forces directly. Awkward and inferior substitutions would have to be made. Replacement of rigging and equipment would need to be made more frequently and much time would be wasted. Supply, maintenance, repair, and replacement problems of the military service would be increased. In essence, the requirement for manpower—always the ultimate limiting factor in wartime—would be increased.

During World War II, a critical shortage of hard fiber cost the United States heavily in dollars, and time, and manpower. The shortage was felt not only in lowered efficiency, but also in costs of programs of substitution.

For example, one element of this cost was the wartime construction and operation of 42 hemp-processing plants, each costing about \$282,000, and each built during a time of materials and manpower shortage. The production of hemp fiber in 1943 amounted to 141,000,000 pounds, at a fixed price of about 26 to 30 cents a pound.

By comparison, the prewar (New York) price of abacá was, in 1939, about 5 cents a pound. In 1943, about 47,000 acres of Kentucky farmland were diverted to production of hemp seed; another 178,000 acres in six Mississippi Valley States were diverted to hemp although only 146,000 acres reached the point of being harvested. Almost twice as much farm labor time—three and one-third million hours—was required for cultivation of the hemp as for the corn and soybeans it replaced. And hemp fiber is distinctly inferior to abacá in every respect for marine cordage.

The scarcity of good grade cordage fiber during World War II would have been much more serious had not steps been under way for more than a decade before the war to meet the shortage. Fortunately, the successful introduction of abacá into Panama from the Philippine Islands had been accomplished by Dr. Harry T. Edwards of the United States Department of Agriculture as early as 1925.

Research and investigations were then undertaken to develop strains of abacá suitable for Western Hemisphere cultivation on a large scale. There were two objectives of this project: To find an alternative crop to grow on banana land, and to develop an alternative source for abacá closer to the United States than the Philippine Islands.

By 1937, plantings of abacá in Panama were increased to 1,000 acres. By 1940, 2,000 acres of abacá were under cultivation. In January 1942, the Federal Government contracted for the planting of 20,000 acres in Central America.

In consequence of the pioneer work of the Department of Agriculture, and the foresight of many persons in and out of the Government, it was possible to obtain 2,800,000 pounds of abacá from this source in

1943, 11,400,000 pounds in 1944, and 21,900,000 pounds in 1945. Under pressure of wartime need, abacá stocks were thus available for high priority military and industrial use.

Blends of abacá with sisal, bennequen, hemp, and jute were also used to extend and stretch our meager resources of cordage for countless military industrial and agricultural purposes in the United States.

A chronic world shortage of abacá has existed ever since the close of World War II. The shortage is certain to continue for at least 5 years, and probably for much longer than that. The prospect is that production during the present year will barely exceed one-third of prewar levels.

The world production of abacá, selected years, figures in millions of pounds, was:

1934-38 (average)-----	415.0
1947-----	258.2
1948-----	208.3
1949 (preliminary)-----	181.0
1950 (forecast)-----	157.0

World abacá production averaged 427,000,000 pounds a year during the period 1934-38. Since the war, production has been far below that average. In particular, production of abacá in the Philippines has declined and this source prior to the war had accounted for 95 to 98 percent—415,000,000 pounds average 1934-38—of world production. I think in 1934-38 their production averaged about 415,000,000 pounds.

There are several principal reasons for the decline in production of abacá in the Philippines. First, the abacá plantations in the islands were neglected during the war. Second, the high price of abacá in the immediate post-war years led to overcutting and butcher-harvesting of large plantation acreages recovered from the Japanese.

The price of abacá—Davao I grade, delivered to New York, cents per pound—averaged 7.8 cents during the years 1934-38, but in 1946 the price had risen to 13.9 and in 1947 to 24.2. I understand it is from 21 to 24 to 25 or 26 cents a pound.

Third, the rate of new plantings was not sustained at the level necessary to maintain production at prewar levels.

Fourth, several virus diseases—"bunchy-top" in Borneo and mosaic in the Philippines—appear to have infected even new plantings; the option before plantation operators is to burn all root stock and start fresh with entirely new plantings, or to continue present operations with progressively declining output as the infection becomes more intensified.

Fifth, large abacá plantations in the Philippines were developed by the Japanese before and during the war; these were sequestered and subsequently, in accordance with national land policies, subdivided into smaller units for subsistence farming.

The most important element in the Philippine abacá slump appears to be the last named. Although Japanese plantations before the war amounted to 28 percent of all Philippine acreages devoted to the raising of hard fibers, these plantations produced 55.8 percent of the total value of all hard fiber produced by the Philippines. These acreages, amounting to 142,000 in all, have largely been turned over to veterans and guerrillas of the war. The consequence has been a lowered efficiency of abacá production on some acreages and elsewhere an actual shift to subsistence crops, such as corn.

The Government of the Philippine Republic has repeatedly indicated its concern over the low level of abacá production since the war. A variety of expedients have been attempted without apparent success. However, one new development early in 1950 is widely considered a promising start toward restoration of large-scale production. A contract, I understand, has been negotiated between the Philippine Republic and a Filipino citizen, to bring 17,500 acres of land into abacá production within 30 months. Whether this is to be an isolated instance or the first of a number of such contracts remains to be seen. However, even in the Philippines where there is a natural advantage in the production of abacá, the aftermath of World War II has meant uncertainty, inability to obtain investment capital, and other hazards. Businessmen have been slow to respond to the stimulus, already in effect for 5 years, of the highest abacá prices in history. Today's Philippine abacá acreages are not precisely known, but they are assuredly small compared with the 728,750 acres—a minimum figure—under abacá cultivation in 1937.

There is ample scope for expansion, particularly in view of the cushion afforded by the present and prospective high price of abacá.

The authority for temporary continuation of Government sponsorship of abacá plantations in Central America, after the cessation of hostilities, was given to the Reconstruction Finance Corporation by the Director of War Mobilization and Reconversion, and later by 1947 amendment to the RFC Act.

For all practical purposes, this authority has now expired, and a very temporary interim arrangement has been agreed to, pending a decision by the Congress as to the desirability of continuing such a national security provision.

The total investment of the Federal Government in these plantations is \$40,000,000, of which \$27,000,000 has already been recovered through sales. A net, unliquidated investment of \$13,000,000 remains.

Production on the plantations has been adversely affected during the period 1947-49 by overharvesting that took place during the last year of the war. Certain other circumstances, for example, a labor shortage situation in Panama, a series of floods in Costa Rica, drought in Honduras, and plant diseases and pests in all the plantations, have caused declines in production. Uncertainty as to the ultimate disposition of the plantations has proved a most adverse influence.

Under the circumstances, new plantings have been somewhat below the level necessary to maintain acreage. The acreages under cultivation have shrunk from 28,000 to 25,000.

Cultivation and management policies lack the orientation of time. From the managerial point of view that is a painful and waste-provoking deficiency.

The plantations are operated by an American fruit company for the RFC. The land under cultivation is the property of the fruit company. The company has an option in its present contract to take approximately 10,000 acres out of abacá cultivation and use them for other purposes. That would leave only 15,000 acres under Government sponsorship. No provision has been made for replacement of 10,000 acres, and no provision can be made without further authorization by the Congress.

The legislation we are here to support would give the President or his deputy for 10 years, authority to contract for a maximum of 50,000



acres of abacá in the Western Hemisphere, and to invest in this enterprise a maximum of \$35,000,000 in addition to present Government investment in abacá production. This authority is in the interest of the national security.

Unless the Federal Government is to take this action, it will not be taken at all. On its own merits it is not an attractive commercial proposition. There are several reasons why the plan would not be attractive to private venture capital:

1. The usual hazards inherent in tropical agriculture such as crop failure, flood, extreme climatic change, and so forth.

2. The unusual sensitivity of abacá to disease.

3. The scarcity of the specialized technical knowledge and experience necessary for the operation of large-scale abacá plantations.

4. The difficulty of obtaining risk capital for an international investment, whose earliest earnings will not come for 2 years or more after the investment is placed.

5. The amount of capital required for efficient operation in the Western Hemisphere, where plantations must support mass-production processing, and where investment is on the order of \$1,000 an acre.

The proposed bill would authorize sponsorship of up to a maximum of 50,000 acres of abacá. This is a rounded figure. It involves approximations, compromises, and assumptions.

Estimates of the essential wartime requirements of the United States for abacá in an emergency are one element of this acreage determination.

A second element is the estimation of available supplies of abacá that would be available in time of war, with which to meet the Nation's essential requirements.

It is evident that there would be a deficit of supplies to meet requirements. This estimated deficit can be wiped out in two ways: By stockpiling and by arranging for sources of supply that would be available in time of war. Obviously, the more abacá that can be imported in wartime from a nearby source, the less that would need to be stockpiled.

However, it would be expensive, and needlessly ambitious for the United States to sponsor indefinitely a production source that could meet all wartime needs. Conversely, it would not be possible to stockpile the full wartime requirements. For one thing, the quantity of abacá that would need to be stockpiled in the absence of any other wartime source of supply is so large that it is unobtainable. For another matter, rotation of that quantity of fiber would be a physical impossibility in peacetime.

Accordingly, a balance must be struck between stockpiling and establishing Western Hemisphere sources of supply. These sources would be available not only in time of emergency but also to supply the stockpile during the current and prospective period of shortage.

Other elements taken into consideration were the length of time required—once the plantations were authorized—before they got into production; also, the yield to be expected per acre. Present acreages range in production from about 1,000 to 1,500 pounds; the most efficient are in Guatemala and currently average 1,546 pounds per acre per year.

Finally, there should be some leeway—a margin of safety—to cover the risks and uncertainties of tropical agriculture. In short, we recommend 50,000 acres of abacá not as an absolutely precise figure but as the best estimate of which we are capable. This figure has been concurred in by the National Security Resources Board, the Bureau of the Budget, the Interagency Fibers Committee, the Industry Advisory Fibers Committee, the Interdepartmental Stockpile Committee, and the Munitions Board.

In conclusion, abacá is a strategic and critical material of unusual wartime importance. Government sponsorship of Western Hemisphere abacá plantations helped tide this country over the shortage during World War II. These plantations should be continued under Government sponsorship as a nearby source in time of a future war emergency.

It is proposed that the abacá acreage thus sponsored be increased to a maximum of 50,000 acres. That figure is selected as capable of providing—in conjunction with a revised stockpile objective for abacá—the protection intended by the Congress in the Stockpiling Act.

There is every reason to expect that world shortage of abacá will continue for many years. Although this fact is disquieting, it can be interpreted as assurance that the Government investment in abacá production will make a great contribution to military and industrial readiness for war at a very small net cost.

Thank you, Senator.

Senator HUNT. Mr. Hawkins, at the top of the last page, with respect to the length of time required, does a crop of abacá mature each year; that is, a crop planted in the spring, does that come into production that fall?

Mr. HAWKINS. No. Mr. Schieck of the RFC could better answer those questions, but I understand it is a continuous operation after it is grown to the point where it may be harvested.

Senator HUNT. It is not a crop replanted each year.

Mr. Schieck, would you give us your name, please, for the record?

#### **STATEMENT OF DeWITT C. SCHIECK, RECONSTRUCTION FINANCE CORPORATION**

Mr. SCHIECK. My name is DeWitt Schieck, Reconstruction Finance Corporation.

The method of planting abacá is to take the so-called bits or root stock which have eyes, somewhat similar to potatoes eyes, and to plant those, oh, several in a group, about 12 or 13 feet apart. They form the nucleus of the growth from there on.

It is a perennial plant, and that root stock will produce stalk, and from this root stock of the stalk as produced, additional shoots will come forth, and in turn produce stalk and further shoots, and that eventually forms a mat, with some 12 or 13 plants to the mat, and they are harvested from that mat as the stalks reach maturity, after some 24 or 30 months.

Meanwhile other stalks have come up in the mat, and are, in turn, matured and harvested.

Now, one planting is sufficient to install the plantation, and the life of the plantation may vary from 15 to 25, 30 years.



There are many plantations in the Philippines that are older than that, but there is a point of diminishing returns from such a plantation, as the plants become old and decrepit, and fail to reproduce in as good stalk as before.

Senator HUNT. What is the period of deterioration? You speak in your paper of finding it necessary to rotate your stockpile of abacá. What is the time of deterioration of abacá stock?

Mr. HAWKINS. That has not been definitely determined. That thing has been worked on because we hope to find that it may be stored a longer period, but the industry has gone into that very carefully, and the best information that they have got is it ought to be rotated not longer than about every 3 years. In other words, we should not leave it in stockpile over 3 years.

Senator HUNT. Then probably the first that you purchased is due for rotation at this time, is it not?

Mr. HAWKINS. I would not be surprised.

Senator HUNT. Because you have been in the stockpiling game for 3 years and a half.

Mr. HAWKINS. Although we did not get very much in stock in the early days.

Senator HUNT. Are you buying much at the present time from the Philippines for stockpile?

Mr. HAWKINS. I think we are, yes. I imagine we are, I am not sure about that.

Senator HUNT. As I understand, your stockpile right now is about 18 percent of the goal as of this date, is that about right?

General QUINTON. Yes.

Senator HUNT. In your stockpiling of abacá you have in mind a stockpile not only for military purposes, but also to make that available to industry in time of emergency.

General QUINTON. That is the same as any other stockpile item, Mr. Chairman, which is for both the military and civilian use.

Senator HUNT. Let me see, you skipped a paragraph here, and I want to read it. I think there is a question there I wanted to ask.

Mr. HAWKINS. I am sorry if I did. There is one about the processing.

Senator HUNT. Did you have any further questions, Mr. Chambers? Are there any questions that you would like to ask?

Mr. CHAMBERS. Yes, sir, I had a couple of questions.

What is the difference in cost of abacá laid down in the United States between the Philippines and this which we get from Central America?

Mr. HAWKINS. Mr. Schieck, will you check me on that? I think I am under the impression that the Philippine price more or less determines the general market price.

Mr. CHAMBERS. Why would that be?

Mr. HAWKINS. There could not be much more available.

Mr. CHAMBERS. Why would that be? You have a larger quantity coming out of the Philippine Islands, but you have roughly a 7,000-mile haul, as compared roughly with a thousand-mile haul from Central America, and I was wondering if for that reason the Central American costs might not be lower except that I notice in your paper that you say that the mechanization of the processes of Central America make a higher capital investment necessary.

Why is it possible to buy Philippine abacá cheaper in the United States than it is to buy Central American abacá?

Mr. HAWKINS. I would like to refer that to Mr. Schieck.

General QUINTON. I think the offerings are made by the RFC every month, so many units, and that becomes a competitive market with whatever the Philippine price is; there has to be some correlation there, and industry buys the fiber; it does not go into the stockpile. That Central American fiber is in competition with Manila fiber.

Mr. HAWKINS. Mr. Schieck can tell us how he sets his price.

Mr. CHAMBERS. The thing I am not worrying about is how RFC sets the price on Central American stuff. I am trying to get at it from the standpoint of costs as distinct from arbitrary price controls that might be forced on us because of the Philippine situation.

Does it cost more for us to lay down Central American abacá or does it cost more for us to lay down Philippine abacá?

Mr. SCHIECK. The question, of course, is a very difficult one to arrive at any accurate figure because so much of the production in the Philippines comes from small individual farmers who, when they need a peso or two, may go out and cut down a few junks or stalks, and decorticate it, and take the resulting fiber into the local Chinese trader, and trade it for what he wants.

There are some large plantations there, though, and we are not able to get too accurate figures on their cost. But I would hazard a guess that they are somewhat cheaper in actual cost of production than our Central American abacá per pound.

What that figure would be, I do not know. Our present cost is around 20 cents.

Mr. CHAMBERS. That is laid down in the United States?

Mr. SCHIECK. No, sir; that is our cost of production, f. o. b. shipping port Central America.

Mr. CHAMBERS. All right.

What I am trying to get is the comparative cost in this country to the users of abacá.

Mr. SCHIECK. The market is created by offerings and acceptances in the normal sense of the market.

Mr. CHAMBERS. Abacá is in short supply now, is that not correct?

Mr. SCHIECK. Yes, sir.

Mr. CHAMBERS. So presumably the industry is going to buy up all the abacá that is going to be available, the industry and stockpile. I wonder if there are any figures available which would give us this comparison of laid-down cost in this country.

Mr. SCHIECK. Well, you would have to start with some figure of cost in the Philippines.

Mr. CHAMBERS. That is right.

Mr. SCHIECK. It will vary with the Provinces, it will vary with the source in the particular Province, and there are others here in the industry who, I am sure, can give you a much better idea on the cost than we can. They are much closer.

Senator HUNT. I wonder if we can approach it from a different viewpoint, and maybe get the answer? What type of a contract do we have with the American Fruit Co.

Mr. SCHIECK. Our contract with the fruit company from inception to December 31, 1948, was the management and operating contract

whereby the fruit company agreed to furnish us with a certain amount of land for planting into abacá to plant into abacá, to exercise care and maintenance, harvest the abacá, produce it, rather decorticate it in the factories, and deliver the fiber to us.

We agreed to pay all costs of the operation. Included in those costs, aside from the direct cost, that were directly attributable to our operation, were certain allowances for the overhead costs of the fruit company in maintaining offices and railroads and so forth down there, which could not be broken down except on an arbitrary basis, which basis was calculated by the accountants and agreed to.

The contract expired December 31, 1948, and we entered into a new contract with the fruit company for 5 years, which could be canceled, however, upon 30 days' notice by either party.

The new contract has one major change in it over the old contract, in that it provided for a fee to the fruit company for their services.

Prior to the new contract, the fruit company got no fee for their services of any kind, nor did they get a rental for the land.

The new fee is calculated at the rate of \$1 per acre per year of fruit-company land that we occupy, or 15 percent of the net profit before depreciation and interest.

Last year, 1949, the fee we paid the fruit company was approximately \$359,000.

Senator HUNT. For that \$359,000, how much abacá was delivered to the stockpile, to the RFC?

Mr. SCHIECK. We harvested approximately 30,000,000 pounds of abacá in 1949.

Senator HUNT. Well, then, if you would take the millions of pounds into the fee paid, it should give you the cost per pound, should it not?

Mr. SCHIECK. The cost per pound, that would only be the fee, sir. In addition to the fee, of course, there was out-of-pocket expenses in the operations. The net profit for—I will give you the figure as an example—for the last 8 months or, I mean, the first 8 months of this fiscal year.

Senator HUNT. It is necessary to develop this because, presenting this on the floor of the Senate, we are going to be asked these questions, and what we are anxious to find out is, Are you pricing abacá now on the basis of a 7,000-mile haul and cost of production in the Philippines, or are you buying abacá on the price of what it is costing the RFC to produce it in South America?

Mr. SCHIECK. Well, the policy of the General Services Administration in purchasing abacá is unknown to me. I think that I can, perhaps, clarify this question somewhat by stating that we do not make the price, the selling price, of our abacá. That selling price is made as a result of our offerings each week of the abacá that we have available for sale.

We receive from the industry bids for our offerings, and we accept those bids that we think represent the fair market value of that fiber at that time.

The fair market value is determined by a comparison of the offerings of industry for our production against the information we can get as to what comparable grades of Philippine abacá are selling for on the New York market.

Senator HUNT. Well, now, as I understand it, you are putting your abacá on the market. How much of that are you earmarking and withdrawing for your stockpile before you put it on the market?



Mr. SCHIECK. We sold the stockpile last year 7,500,000 pounds, and we sold to the Navy 2,000,000 pounds. That would be roughly one-third of the amount we produced last year went into the——

Senator HUNT. The Government retained about a third of your production?

Mr. SCHIECK. Yes, sir.

Senator HUNT. I think, perhaps, to get these questions clearly answered, possibly we had better prepare a list of questions and have them submit a written answer.

Mr. CHAMBERS. Yes, sir.

Senator HUNT. I think that is the best thing to do.

Mr. CHAMBERS. I suspect that is, Senator.

I would like to clarify one point here, if I may.

You make your weekly offerings.

Mr. SCHIECK. That is right.

Mr. CHAMBERS. And the price at which you actually sell it, at the present time, really is geared into other sources. It does not reflect your production cost and management cost at all.

Mr. SCHIECK. No, sir.

Mr. CHAMBERS. Now, suppose for the sake of argument that the price of Philippine abacá was under what your production costs are. Then you actually would be selling at a loss, is that correct?

Mr. SCHIECK. Exactly; yes, sir.

I would like to add that up to this point the Government has expended approximately \$42,000,000 in all the cost incident to the projects in Central America, and has recovered around \$30,000,000, leaving \$12,000,000 unrecovered, of which we have machinery and equipment which we are carrying at a depreciated value of \$5,300,000, leaving unrecovered approximately \$7,000,000.

We estimate the value of the fiber now standing in the field at about \$7,000,000, so if we are, essentially, assuming that our depreciated value of machinery and equipment is correct and a true value, we are on a break-even basis up to this point.

But in that \$12,000,000 there is a loss of 3½ million dollars, approximately, which we took during the war when we had to sell our abacá at below cost because of ceiling prices.

Mr. CHAMBERS. If you expand the 50,000 acres, Mr. Schieck, do you believe there is a good possibility on the present market that you can still be a self-liquidating agency?

Mr. SCHIECK. Yes, an excellent possibility.

You see one of the difficulties in the past few years has been that it has been a haphazard management proposition because of the uncertainty as to the ultimate disposition of these plantations.

We did not feel justified in making capital improvements or to go into extensive research work, which is a prime necessity in this present operation.

We feel there is an excellent chance, if this legislation is provided, that by research work we may develop strains of abacá in Central America which will give greater returns in fiber, and we may also develop better methods of decortication which will result in greater recoveries of the available fiber in the stalk.

We also believe there is a great deal of room for improvement in our cultivation methods, all of which will come about by research, and all of which we have not been able to do because of the situation with

respect to the authorities under which we were carrying on these operations up to this point since the war.

Mr. CHAMBERS. And you plan on continuing to operate through the Fruit Co.

Mr. SHIECK. The Fruit Co., where they have an organization available; but the trick here is to find an organization, a worth-while organization, with people and facilities in the particular area where you are going to operate, and if the Fruit Co. is not there, and there is someone else who does have the people available, the organization available, we would use someone else.

I think it is a rather remote possibility though that we will find suitable operators in Central America outside of the Fruit Co. and, perhaps, another fruit company there, the Standard Fruit Co., who have not been approached in this matter as yet.

Mr. CHAMBERS. I notice that the present Fruit Co. contract permits them to decrease their acreage by 10,000 acres, if they so desire.

Mr. SHIECK. Yes.

Mr. CHAMBERS. If you get a 10-year program under this law, will you renegotiate that contract and tie it down for a definite period?

Mr. SCHIECK. The 10,000 acres mentioned there are the Almirante plantation in Panama, and Monte Verde plantation in Costa Rica.

Those two plantations are susceptible to flood fallowing, which is a process the Fruit Co. has developed to eliminate Panama disease from the soil.

Panama disease went in there 25 or 30 years ago and cleaned out their banana plantations. They have been unable to grow bananas where that disease is in the soil.

They have just developed this flood fallowing which requires the building of dikes around the land, and the holding of a head of water of about 3 feet on the land for about 18 months, and thus they kill the fungus in the soil.

Now, they believe that both the Panama and the Monte Verde plantations will react to that treatment, and they have in mind doing that, and putting them back into bananas, and so when we made this contract with them in 1948 we had no alternative but to agree with them that they could have them back upon the getting of sufficient notice so that we could move our fiber from the land.

Senator HUNT. Well, Mr. Schieck, it seems to me as if someone deserves to be commended for having the foresight to do something about something that needed to be done, and whether you have been able to do the very best job or not is a little beside the point. You did go down and do something, and for that I want to congratulate and thank whatever department is responsible for that.

Mr. SCHIECK. Thank you.

Senator HUNT. Now, I wanted to ask you—perhaps, you, General, should answer these questions—I understand this has the approval of the Budget?

General QUINTON. Yes, sir.

Senator HUNT. I understand it has the approval of the Defense Establishment?

General QUINTON. Yes, sir.

Senator HUNT. I understand the Munitions Board favors it?

General QUINTON. Yes, sir.

Senator HUNT. Am I correct in the statement that all involved departments of Government favor the enactment of S. 3520?

General QUINTON. To my knowledge, yes.

Senator HUNT. Our next witness will be Mr. John Goble, please.

Mr. Goble, you might take that chair, if you will, just on the other side of the reporter, and then he will be sure not to miss any of your statements.

**STATEMENT OF JOHN GOBLE, CHAIRMAN, FIBER COMMITTEE OF THE CORDAGE INSTITUTE, AND WALL ROPE CO., ACCOMPANIED BY ELLIS W. BREWSTER, PRESIDENT AND TREASURER, PLYMOUTH CORDAGE CO.**

Mr. GOBLE. Mr. Brewster is president of the Plymouth Cordage Co., and I have asked him to sit with me to catch up any matters that I might miss.

Senator HUNT. That will be fine. You have a chair, Mr. Brewster.

Mr. Goble, if you will, give the reporter your name and who you represent, and any association that you may have in an advisory capacity with any Government department.

Mr. GOBLE. John Goble. I am chairman of the fiber committee of the Cordage Institute, and I am with the Wall Rope Co.

The only Government capacity I have is as an alternate on the Munitions Board Industry Advisory Committee.

Senator HUNT. We might have Mr. Brewster give the reporter his name and his connection.

Mr. BREWSTER. Ellis W. Brewster, president and treasurer, Plymouth Cordage Co. I am a member of the Munitions Board Industry Advisory Committee, and a consultant for NSRB.

Senator HUNT. Do you have a prepared statement, Mr. Goble?

Mr. GOBLE. Not entirely prepared. We have some notes.

Senator HUNT. All right, if you will proceed, please.

Would Mr. Raymond M. Tierney, counsel for the Cordage Institute, like to come up and sit beside these two gentlemen?

Mr. TIERNEY. Thank you, Senator, I do not think I could add anything. I appreciate your courtesy.

Mr. GOBLE. The industry has repeatedly urged that the Western Hemisphere abacá plantations be maintained and increased as a defense matter, as we can judge the national defense.

This production, as we see it, is a stockpile in the ground, which can be counted upon as a continuing supply in time of trouble.

There are two ways of providing a supply: One would be by the stockpiling of baled fiber, and the other is the maintenance of a continuing supply, something that keeps coming to us, keeps producing.

A stockpile, by its nature, has to be rotated. The industry feels that fiber that is older than 3 years old tends to deteriorate, and they are very reluctant to venture to make rope out of fiber that is older than that.

The manufacturers of cordage provide the only exits for material from the stockpile of baled fiber.

The use of rope in normal times is about a hundred million pounds as of now, of which manila rope is approximately 80,000,000 pounds.



As a practical matter, the industry could not figure to take more than about one-third of that 80,000,000 pounds out of stockpile as a rotating proposition.

In other words, given that 3 years is the life of the fiber, useful and guaranteed life of the fiber, a stockpile of over 100,000,000 pounds must tend to become unwieldy. It becomes difficult to rotate it within a 3-year cycle.

Senator HUNT. We do not want your testimony, Mr. Goble, to lead to any or leave any facts available for the general public that would disclose our ultimate stockpiling goal.

Can you handle this matter in such a way so that you do not make those deductions possible?

Mr. GOBLE. I did not figure that this essentially did make them deducible. I was attempting merely to illustrate that a stockpile of existing fiber, baled fiber, is not a complete answer; that a stockpile in the ground is vital, and will provide a much better means of supplying fiber than any stockpile over a period of time.

I think if the statement can be confined to that kind of proposition, it will avoid any such possibility.

Senator HUNT. And possibly you can use some of your facts percentage-wise, and keep away from poundage. It might help, too.

Mr. GOBLE. We have discussed this question of 3-year rotation as being desirable, and every effort is being made by the industry to provide such a possibility for rotation.

I do not know that there is anything that I can add to that subject that would not infringe on the possibility that you have mentioned.

In the last war the use of rope ran in excess of 350,000,000 pounds a year.

This stockpile in the ground will never, of course, provide anything approximating that. This is going to be a very tremendous help in time of trouble.

I think that is about all I can say at this time.

Ellis, do you wish to supplement my remarks?

Mr. BREWSTER. Mr. Chairman, I think the Munitions Board statement covers the thing very well, and Mr. Goble has covered a little more specifically what they have said, and I would only sum up by saying that it seems to have been determined, and very reasonably so, that we do need rope, and to have rope we must have fiber, and I would emphasize the point that the better the fiber, the longer the rope lasts, and the less manpower, materials, and everything else that is short in time of war it requires.

We found certainly during the last war that the use of the things we called extenders, which were a lower-grade fiber—for instance, we made jute rope. It was darned poor rope, but it was a lot better than no rope at all, but we had to make probably three or four times as much jute rope as we would have had to make with Manila rope had the Manila been available.

So abacá is by all odds the best fiber.

I would sum up what Mr. Goble had said by merely saying that since the stockpile has to be rotated to keep the fiber fresh, because a stockpile that is not of good fiber is not of much defense—further than that, unless you are to throw away the fiber at the end of its stockpile life, it must be sold, and the only place it can be sold is the manufacturers. Therefore it has got to be good enough so that the

manufacturer will buy it; and our estimate of 3 years as the outside figure is our best judgment, and, so far as I know, universally concurred in.

Consequently, the ability to rotate, unless you are to throw the stockpile away, does limit the size of the stockpile.

In these general terms I am sure you have no objection, and a continuing supply of it is what we need, because what we are after, Mr. Chairman, I take it under the act, is not just a stockpile of fiber in a warehouse, but we are after a supply of fiber out of which rope can be made in time of trouble; and a continuing supply is so much better than a warehouse full of baled fiber which, once used, is gone.

Senator HUNT. At the end of a 3-year period, does the product satisfy all of your requirements after 3 years' storage? I do not mean in amount, but I mean in quality.

Mr. BREWSTER. Frankly, we do not know because it has not been the custom of the industry to keep fiber that long. We have naturally turned it over.

Prior to this last war it was the old 117 stockpile, which I had something to do with, and we had set up a plan for rotation, and then came the war, and the rotation plan never came into effect.

Now, we have set up another plan for rotation that Mr. Hawkins spoke of, and that is now under way, just now getting our first fiber from the stockpile, and we believe that 3 years is all right. But we cannot speak from experience. We do not believe that more than 3 years is right.

Senator HUNT. Have you got any comment to make on the terrific increase in price of abacá from 7 to around 24, 26 cents?

Mr. BREWSTER. It has been as high as 32, Senator.

Mr. GOBLE. It reflects a production of less than half in the Philippines essentially, of the prewar rate.

Senator HUNT. You are convinced that demand alone is establishing the price?

Mr. GOBLE. Supply and demand, yes.

Mr. BREWSTER. I think we might add, John, that we probably do not expect to see it at 7 cents, but the dollar has changed a lot.

Senator HUNT. I did not understand, sir.

Mr. BREWSTER. I think we might add that we do not expect to see it back to 7, because the value of the dollar has to change; everything has gone up to a degree. Part of that rise is undoubtedly lessened by the result, but not all of it. Most of it is supply and demand.

Senator HUNT. Do I understand that the industry favors the passage of S. 3520?

Mr. GOBLE. Entirely.

Senator HUNT. Does the industry have any amendments which they would suggest to the bill?

Mr. GOBLE. No; we have none.

Senator HUNT. You have discussed this bill with the Munitions Board?

Mr. GOBLE. Yes. As I mentioned, we have urged the Munitions Board and others to consider this necessity for quite a long time.

Mr. CHAMBERS. Mr. Goble, just to clear up one question in my mind, how much cordage fiber did you say that the industry could take or absorb from the stockpile on a rotation basis? Was it 80,000,000?

Mr. GOBLE. We use about 80,000,000 pounds of abacá fiber a year.

Mr. CHAMBERS. That is industry as a whole?

Mr. GOBLE. As a whole in this country.

Mr. CHAMBERS. That is the total production requirement of abacá then, is that right?

Mr. GOBLE. On a peacetime basis, on present consumption levels.

Senator HUNT. Does that include the requirements of the armed services, including the Navy?

Mr. GOBLE. Yes; it does.

Mr. CHAMBERS. It includes everything? So that actually that is what governs the size of the stockpile then, which would be how much you could absorb and not the period of the life of the fiber necessarily, but how much you could absorb on this normal rotation period.

Mr. GOBLE. We have no absolute security of this 3-year storage, as Mr. Brewster elicited now. The 80,000,000 pounds would represent, of course, the theoretical maximum that could be rotated.

Senator HUNT. What is the source of the supply for industry at the present time? Is it from this development in South America, or is it from the Philippines?

Mr. GOBLE. We take from the Philippines approximately 70 percent of our total usage of abacá.

Senator HUNT. Is there any production coming into this country from Africa, India, any of those tropical countries?

Mr. GOBLE. Not abacá. The only other source of abacá which at present is delivering small supplies is Sumatra, Dutch East Indies.

Senator HUNT. Do you have any more questions?

Mr. CHAMBERS. Not of these gentlemen, sir, but before we close I would like to ask Mr. Niederlehner a couple of questions.

Senator HUNT. Was there anything further, Mr. Brewster or Mr. Goble, that you would like to say for the record?

Mr. GOBLE. I would like to add this: that in view of the supply situation there is clearly very ample room for greater production in the Philippines.

In a position in which 150 million pounds approximately are being produced there as against 320 or 330 million prewar, there is plenty of room for a greater production of abacá.

Indeed, the Philippine abacá is essential to us as an industry. It forms the bulk of our supply, and we definitely need it.

Our association with the Philippines has been long and very friendly, and we earnestly hope as an industry that an expansion of their production can be brought about.

Senator HUNT. Is industry itself interesting itself directly in acquiring properties and producing abacá in the Philippines?

Mr. GOBLE. Shall we say in growing abacá?

Senator HUNT. Yes.

Mr. GOBLE. No; it does not. There is the International Harvester Co., which has a plantation there, but that is something they have had for years. They have expanded it a little recently.

In the main, the manufacturers feel that they have to stick to their last. We are too far from these areas, we know nothing of the growing. We know how to make rope out of it, and we do not have the financial ability or inclination to get into those other fields, of which we are essentially ignorant, that is, the growing, the producing end, the agricultural end.



Senator HUNT. The reason I have asked that question, it is done so extensively by American industry, rubber, pineapple, cane sugar, and things of that kind, and I just wondered why the industry itself had not become interested in the production of abacá.

Mr. BREWSTER. Can I speak to that from the point of view of a little experience, sir?

Senator HUNT. Yes.

Mr. BREWSTER. Our company, the Plymouth Cordage Co., did at one time think it was a good idea, and went into the production of henequen in Cuba, and we did a very poor job of it, to be quite frank about it, and that is why I would concur entirely with Mr. Schieck's statement that to do a good job of tropical production it takes an organization that is familiar with tropical production, and we in contradistinction to rubber and sugar, are not big enough to have that versatility. We tried it, and it was a little painful.

Senator HUNT. Well, thank you very kindly, gentlemen.

That is all if there is nothing further you have to offer.

Mr. BREWSTER. Thank you, sir.

Senator HUNT. Mr. McDaniel.

**STATEMENT OF J. S. McDANIEL, VICE PRESIDENT AND FOREIGN MANAGER, PHILIPPINE ABACÁ DEVELOPMENT CORP.**

Mr. McDANIEL. My name, Mr. Chairman, is J. S. McDaniel, and since March, I have been vice president and foreign manager of the Philippine Abacá Development Corp., which is a new corporation organized since the first of the year for helping out in the rehabilitation of Philippine abacá.

Since that time, and merely for the matter of the record, I was secretary of Cordage Institute, the trade association in the United States of the hard fiber cordage and twine manufacturers, since June 1920 continuously in that job.

In appearing here, I would like to make, first, the statement that I support the immediate passage of S. 3520, but with amendments designed, first, to support national security, and second, Philippine economy.

Now, I have prepared a memorandum endeavoring to put the facts before anyone who was interested, and I will ask permission to put that into the record, and in line with your request, I think it might be well, although I was not disclosing any figures which were not generally known, to suggest that that part of those statistics be made available to the committee or to anyone else that the committee would like to have know them, but without going into the printed record, because they do disclose some knowledge which I may have had of purchases by the Government and operations by the manufacturers over the years.

(The document referred to follows:)

The writer of this memorandum supports immediate passage of S. 3520 or H. R. 8351 with amendments designed to support (1) national security, and (2) Philippine economy.

MEMORANDUM RELATIVE TO S. 3520, H. R. 8351 (IDENTICAL BILLS), ABACÁ ACT OF 1950

*Sponsor.*—Department of Defense (Munitions Board).

*Purpose.*—To continue and expand production of abacá (Manila fiber) in the Western Hemisphere by the United States Government.

*Product description.*—Abacá is a hard, leaf (miscellaneous) fiber used in the making of marine and other cordage. It is classified by the Munitions Board as a highly strategic and critical material which cannot be grown in the United States. Substitutes are sisal, henequen, jute, synthetic products such as nylon, paper, wire rope, and mechanical means of material-handling not requiring Manila rope (escalator, etc.).

The possibility of substitutes, at various price levels, tends to integrate the problem of abacá and fibers commonly used for other products such as agricultural twines, and, therefore, the matter must properly be considered coordinately and not separately.

#### *History of Central American abacá*

Abacá is indigenous to the Philippines where, prior to World War II, 95 percent of the world's requirements were produced. Abacá requires growing conditions—rainfall, suitable land, etc.—such as are found ideal in the Philippines, reasonably good in other southeastern Asia areas, and possible, at great relative cost, in Central America.

Abacá was introduced into the Western Hemisphere (Panama) in the early 1920's, with the encouragement and help of the United States Government, as a national security measure. By 1941, a relatively small quantity of 3,000 acres was being grown on an experimental basis by the United Fruit Co. Immediately following Pearl Harbor, the plantings were expanded to approximately 30,000 acres to supply United States military requirements. This was by contract between the Reconstruction Finance Corporation and the United Fruit Co.

Since VJ-day, these plantings have been continued under directive of the President of the United States to the RFC, acting under authority to continue wartime projects for liquidation purposes. The last such directive, it is understood, was issued March 30, 1950, and probably is for a relatively short time, probably not beyond June 30 or July 31, 1950. It is also understood that it is unlikely that further directives will be issued without action by the United States Congress.

Abacá production in Central America has been disappointing. Because of one difficulty or another, the 30,000 acres planted has already been reduced to 25,879 acres. Production was expected to reach 64,908,300 pounds in 1949 but official statistics show it was only 30,239,050 pounds. Now it is planned to abandon or "butcher" harvest approximately 50 percent of the existing 26,000 acres.

While the cost of producing Central American abacá is greatly in excess of Philippine costs, the quality is not considered as good as Philippine abacá. This is evidenced in the fact that prices consumers have been willing to pay for Central American abacá are 1 to 2 cents lower per pound than for Philippine abacá. However, the quality is adequate for making a reasonably good finished product. The light color of the Central American abacá is due to machine decortication. Light color in Philippine abacá indicates high quality. But rope made from Central American abacá is weaker in tensile strength than that made from Philippine abacá.

#### *Problem*

The problem in this situation, particularly in view of the present wording of the proposed legislation, falls into three categories, namely: (1) National security, (2) economic, and (3) political.

1. *National security.*—This is mentioned first solely because it is the one approach of the proposed legislation as introduced. From this single viewpoint, it is important (a) to maintain a physical stockpile in the United States; and (b) to continue a reasonable production in nearby areas which can be rapidly expanded (2 years required for expansion to production) in time of emergency while the physical stockpile is being utilized.

2. *Economic.*—Production on a subsidy basis, covered in 1 (a) above, should be held to a minimum in order (a) not to have unnecessarily an adverse effect on Philippine economy; and (b) so that the stockpile (1 (a) above) can be purchased as cheaply as possible through encouraging rehabilitation of Philippine abacá where it can be produced at the lowest cost.

3. *Political.*—Any unnecessary United States subsidy production of abacá in the Western Hemisphere, to the obvious detriment to Philippine economy, or any failure to write this legislation in such manner as (a) to recognize the Philippines' inherent interest in abacá; and (b) to carry out the solemn promises of the United States to assist the Philippines "in the full repair of the ravages caused by the war" (President Roosevelt, October 13, 1943) will be considered by the Philippines

as a failure by the United States to live up to its international agreements. This will have political repercussions, not only in the Philippines, but in the entire Far East.

*World shortage of abacá and resultant excess cost to United States:*

It is an established fact that there is a shortage of hard fibers in the world today. The statistics relative to abacá are as follows:

<i>Abacá</i>		<i>Pounds</i>
Philippine production, prewar (1,200,000 bales)-----		330, 000, 000
Sumatra production, prewar-----		10, 000, 000
Central American production, prewar-----		1, 500, 000
Total prewar production-----		341, 500, 000
Philippine production, 1949-----		144, 375, 000
Central American production, 1949-----		30, 500, 000
Sumatra production, 1949-----		0
Total postwar production-----		174, 875, 000
Difference, prewar, and postwar production-----		166, 625, 000
New acreage planned in proposed legislation for Western Hemisphere—21,000 times 1,500 (estimated annual production per acre, 1,500 pounds)-----		31, 500, 000
Balance—requirement world production outside Western Hemisphere-----		135, 125, 000

New acreage required outside Western Hemisphere, assuming 50,000 acres in that area as provided in S. 3520 or H. R. 8351, 90,000 acres (36,000 hectares).

NOTE.—There is a world shortage of sisal fiber currently, due in part to the shortage of abacá and the demand for sisal as a substitute for abacá, due to price, etc.

Assuming that the passage of this legislation will discourage new production world-wide, at least temporarily (discussed hereinafter) and that the world shortage and resultant high prices would therefore continue, the cost to the United States of such legislation (exclusive of direct charges of the Western Hemisphere operations) would be as follows:

*Passage of S. 3520 or H. R. 8351, as introduced and without amendment, will discourage Philippine abacá rehabilitation, already started*

As introduced, the proposed legislation provides only for continuation and expansion of Western Hemisphere production of abacá by the United States. Before the war, Philippine abacá was exported, in weight, approximately one-third to the United States, one-third to Japan, and one-third to Europe. The United States was the best abacá customer of the Philippines in dollars because it purchased the top grades. Europe purchased the intermediate grades and Japan the lower grades.

Production on 50,000 acres in Western Hemisphere, at 1,500 pounds per acre, would be 75,000,000 pounds annually, or approximately 75 percent of the United States cordage and twine manufacturers' annual requirements. Removal of this market from Philippine exports would naturally deter capital from investing in Philippine abacá.

Financing Philippine abacá rehabilitation is required. It is difficult under any circumstances to get United States capital to move into foreign areas, as evidenced by the President's proposals in the point 4 program.

Passage of any legislation, indicating or inferring a policy of the United States being solely interested in Western Hemisphere abacá, would naturally deter capital, private or public, from flowing into abacá outside of the Western Hemisphere.

There can be no purpose served in trying to expand abacá production by 30,000,000 pounds in the Western Hemisphere—a possibility some United States Government personnel believe unattainable—if such efforts would discourage or adversely affect new Philippine abacá production, where at least 135,125,000 pounds additional production is required, even if the objectives of the proposed expanded Western Hemisphere production are maintained.



*Philippine abacá rehabilitation*

Philippine abacá rehabilitation is underway on a large scale.

In January of this year the Philippine Government, desirous of promoting the rehabilitation of the abacá industry and recognizing the necessity of large scale, efficient, private enterprise, entered into a contract with private enterprise to clear, plant, and develop 18,500 acres of Government land in Mindanao. It is on this island that the Japanese grew abacá so successfully prewar. Work has been underway on this project for some months and the best available personnel in the world has been employed to carry out same.

In working out these plans there has been complete cooperation from the President of the Philippines, his cabinet, the supreme court of the Philippines, business interests in the islands and the American Embassy, all conscious of the importance of Philippine abacá to Philippine economy.

The Philippine Government is now contemplating similar arrangements by granting to the Boy Scouts of the Philippines and the University of the Philippines 35,000 acres for abacá production.

Several large private groups are waiting only for action on this proposed abacá legislation, now under consideration by the United States Congress, before proceeding with plans for (a) new plantings and (b) rehabilitation of existing plantings in the Philippines, all patterned on the model contract developed in January last.

*Abacá important to Philippine economy*

So far as Philippine economy is concerned, abacá is of utmost importance. In dollar value, it has represented, over the years, 10 to 14 percent of total Philippine exports. It is currently the principal exportable item from the Philippines to hard-currency areas. In 1938 there were over 155,000 farms with approximately 700,000 acres planted to abacá in the Philippines. Approximately 800,000 Filipinos, of a total population of 16,000,000, were dependent upon abacá as their sole source of cash income. Every President of the Philippine Commonwealth and Republic has agreed that abacá is one of the if not the most essential crops grown in the Philippines, for social and economic reasons. It is the only commodity produced in the Philippines that is practically noncompetitive with production in other areas.

*Amendments suggested to proposed legislation*

Attached hereto is a copy of the proposed legislation as introduced, showing thereon amendments suggested to accomplish the changes indicated above. In suggesting these amendments, the following objectives have prevailed:

First, they leave the Munitions Board program for Western Hemisphere abacá unchanged;

Second, they avoid requesting any authority to permit any areas, other than Western Hemisphere, to participate in the authority or appropriations authorized for Western Hemisphere abacá;

Third, they establish a policy of the United States being interested in an adequate production of abacá in any or all suitable areas of the world, but without requesting any authority for appropriations for such purposes; and

Fourth, they reiterate existing authority for loans, on a reasonable repayment basis, to aid in adequate production of abacá in areas other than the Western Hemisphere. Of course, this existing authority is likewise available to the Western Hemisphere now under existing law.

These suggested amendments are designed to avoid any statement or inference in any legislation enacted that the United States is solely interested in Western Hemisphere abacá.

Respectfully submitted.

J. S. McDANIEL,

Washington, D. C.

Mr. McDANIEL. Mr. Chairman, I have some suggested amendments to offer, and I have made them in the form of the Senate bill to show how much was deleted, and in fact, I attempted to delete nothing, maybe a word for grammar, or something like that, and I think that probably—

Senator HUNT. Well, Mr. McDaniel, if you are in agreement with the bill, if you will address yourself to the amendments and their effect, why, we will be very happy to hear you.

MR. McDANIEL. They are all contained in this memorandum, and I merely would like to read three paragraphs designed to, perhaps, help elicit some questions.

This problem, particularly in view of the situation of the present wording of the proposed legislation, falls into three categories, namely, national security, economic, and political.

First, under national security, this is mentioned first solely because it is one approach of the proposed legislation as introduced. From this single viewpoint, it is important (a) to maintain a physical stockpile in the United States, and (b) to continue a reasonable production in nearby areas which can be rapidly expanded in time of emergency while the physical stockpile is being utilized.

Second, on the economic side of the question, production on a subsidy basis, covered in the statement under national security above, should be held to a minimum in order not to have unnecessarily an adverse effect on Philippine economy, and so that the stockpile, also mentioned above, can be purchased as cheaply as possible through encouraging rehabilitation of Philippine abacá where it can be produced at the lowest cost.

On the political side, which I feel certain is important to us in this country at the present time, any unnecessary United States subsidy production of abacá in the Western Hemisphere to the obvious detriment of the Philippine economy, or any failure to write this legislation in such manner as, first, to recognize the Philippines' inherent interest in abacá and, second, to carry out the solemn promises of the United States to assist the Philippines—and I am quoting from President Roosevelt "in the full repair of the ravages caused by the war," will be considered by the Philippines as a failure by the United States to live up to its international agreements. This will have political repercussions not only in the Philippines but in the entire Far East.

Commenting on that, Colonel, the Chairman asked the question if the Budget, State, and various other departments had approved this legislation. Some of those departments communicated with me, and they asked me for my opinion before this went back to the Defense Bureau, if the policy was set forth in this proposed legislation to clearly indicate that the United States was interested in an adequate abacá production in the entire world, would that be satisfactory.

I said, certainly, that was just what we wanted, because what we were after was to have this legislation drafted in such manner that Philippine abacá rehabilitation would not be deterred.

When the bill came to my attention, it included the words, and I am quite certain that those words were suggested by the State Department, so they advised me, and they were included absolutely as a suggestion, "It is hereby declared to be the policy of the United States that, to encourage abacá production"—and then they continued in the same sentence and linked that, what they proposed to be a general policy, up with a specific proposal with respect only to the Western Hemisphere abacá.

When that matter was called to their attention, they agreed that the wording, particularly in the light of the fact that in the preamble of this bill it uses the term "Western Hemisphere," that that was not adequate to cover the objections of such departments as the State Department.

I strongly suggest that this bill be referred back, particularly to the State Department, and to the Department of Defense for their comments. In fact, we have been trying to accomplish that in order that the purposes of these different departments could be met and, at the same time, we could get this bill passed, and we could get this production continued, and if the Government wants it expanded, to have it expanded.

I do not think it is necessary to tell you about what we have started in the Philippines. It is a fact that rehabilitation has started.

There have been great difficulties. I myself have been going to the Philippines since 1935.

I was called in with others in 1944 a few weeks after MacArthur landed, to get abacá.

Incidentally, and the last thing in the world I would care to do, would be to take exception to any remarks of an industry for which I worked for 30 years, but the fact of the matter is that from 1941 until 1945, for a period of 4 years, there was no fiber which came out of the Philippines, and we were glad to get the little stock of fiber we found on the island of Leyte and get it over here and use it.

It is also true that we are using fiber and did use fiber that was over 3 years old, but the industry has testified, in my judgment which is absolutely correct. We have had no experience, and we would prefer not to use it.

There is not any question that you would like to rotate it within 3 years and would like to change it over in 2 years, if you could do it.

Mr. CHAMBERS. Mr. McDaniel, may I interrupt?

While the chairman was temporarily out of the room, you made reference to the fact that in the statement of policy and throughout the bill this entire project is pin-pointed toward the Western Hemisphere production of abacá, and you indicated that the State Department was interested in getting a bill which would encourage the development of abacá on a world-wide basis.

I wonder if you would repeat that part of your testimony for Senator Hunt?

Mr. McDANIEL. I think, Mr. Chairman, in essence what I said was that some questions have been asked by you of a previous witness as to whether Budget, State, and so on had approved this bill, and the answer was "Yes."

I explained that some 10 days or 2 weeks ago, one of those departments had called me up, and wanted to know if a policy was set forth in this bill which indicated a general policy on the part of the United States or its interests in abacá production in any or all suitable areas of the world; if that was so, would that seem to meet this objection which we were finding on some hands that we thought that this bill might deter Philippine abacá rehabilitation.

Then when I got the bill, I saw there was this one wording in here which was recommended, so I was told, by the State Department, "it is hereby declared to be the policy of the United States to encourage abacá production," and that wording was suggested by the State Department, and they thought that that was sufficient. But in linking that phrase up with the balance, which had to do only with the Western Hemisphere, appearing on lines 7, 8, and 9, of page 2, together with the inclusion of the words "Western Hemisphere," I feel quite certain that you will find that the State Department feels



that that wording is inadequate, and I suggested that with all due temerity that the bill might be referred back to the State Department and the Department of Defense for comment.

I think that they would like very much to have an opportunity to comment on it. As a matter of fact, they have been in very close touch with me on the matter because they know that we are trying to get this bill, a bill, passed to continue abacá in Central America, and to try to do that in such a way as not to discourage or deter Philippine abacá production which, by the way, I understand is the position taken by the Munitions Board. They do not want to deter Philippine abacá rehabilitation, either.

Mr. Chairman, in drafting these amendments, I tried to eliminate the Western Hemisphere from the preamble, so as to state the policy clearly and concisely.

Second, I retained the entire Western Hemisphere program as suggested by the Defense Department without change; and, third, I merely put in there, as I understand it, a proviso which is already in existing law, that for other areas they could lend money, existing agencies, so in order to do so they could lend money for these purposes.

Very careful we were to be certain that we did not attempt to bring these other areas into the Western Hemisphere program or to participate in any way in the \$35,000,000 or more, which were set up for that program.

I understood that the Defense Department was very anxious not to have any other area program involved in that particular program.

The question was asked about the cost of growing Philippine abacá and Central American abacá, and it is solely for the information of the committee and not for any purpose to try to discourage what should be done in Central America, that I would like to give you what information I have on that particular matter.

I think Mr. Schieck gave you some information about Central America. He mentioned a figure of 20 cents f. o. b. down there as cost. He did not say whether that was before or after depreciation, which is important, and he did not say what accounting system was carried out by the RFC in arriving at that cost.

They have some figures—I have seen them—and they varied all over the lot. I could take some out of my file here and show you where there were 27 cents down there before depreciation.

But that does not make any difference because we need that fiber down there no matter what it costs. That is the reason you are growing it, not because you can grow it cheaper.

Now, in the Philippines, we made our estimates when the Philippine Abacá Development went into it, and on the basis of the present high costs I think you will find the standard of living in the Philippines is about three times prewar, probably declining, and will decline to two times.

We feel that at present costs, and with present freight rates to the United States, we can land fiber in the United States approximately at 13 cents a pound without profit, but with a depreciation of 7 years.

At 16 cents, we could make a fancy profit. Actually those figures are based on a very conservative basis.

To illustrate, we used 35 piculs of 137 pounds each—we used 30 piculs of 137 pounds each, instead of 35 per hectare of land production per year.

Likewise for the first few years we used 10 piculs instead of the normal 25 that you would use after your second year.

The fact of the matter is that the Philippines have stayed in the fiber business even though it sold down to 4½ cents, landed at New York.

I believe that fiber could be grown in the Philippines within 2 years and landed at New York for 10 cents, and at a profit. These figures have been checked with other producers out there.

For instance, in the case of the Philippine Abacá Development Co., where they used 1,000 pesos per hectare, the International Harvester Co., my recollection, if it serves me right, told me within a month that their actual experience was 850 pesos per hectare. This merely illustrates the conservativeness with which we tried to make these estimates.

Maybe one of the costs of this operation in Central America is because it is a Government operation for all practical purposes.

When I was talking to President Quirino in January of this year in the Philippines, and he was discussing this matter with me, and he was discussing a Philippine Government operation known as NAFCO, which, in his words, has been a failure, and a complete failure. That is no criticism of the personnel connected with that or any of the other of these operations in this hemisphere. But the fact of the matter is that we have proceeded in the Philippines that to bring back abacá you need private enterprise, private competitive enterprise.

We have started on some 18,000 acres. We are negotiating for two other areas of like amount each.

Two other large groups in the Philippines are awaiting merely the passage of this legislation to move because we feel, and I have been told by people here in Washington, that if Congress passed this act unamended, it would be very difficult to get financing from agencies like the Export-Import Bank or the World Bank, because Congress would have indicated, or they would think that Congress indicated, that they were only interested in the Western Hemisphere.

So it gets down to the fact that we are merely asking you to write this legislation in such a way that is not to let the Philippines participate, but at least do not deter us from going to the Export-Import Bank and getting the necessary financing.

Personally, the one thing that I could never understand about the Munitions Board is how they could want merely this stockpiling in the ground and for the last 3 or 4 years be perfectly willing to continue paying 25, 26 to 32 cents for abacá from the Philippines because that is where their major stockpile has come from, when a few million dollars thrown into the Philippines could have saved them money.

In this sheet which I pulled out from my memorandum, it shows that it is costing the United States today solely on 5 cents for sisal and 10 cents excess cost for manila, \$30,000,000 a year, because of the excess cost of hard fibers.

One-half of that cost is borne by the United States Government directly today, and one-third of that loss for 1 year thrown into the Philippines could have brought down the price of abacá 10 cents a pound.

Those are figures, and the committee here can have access to how much the stockpiling—how much they are stockpiling, how much

they are buying, and that is an important factor as to what has to be paid, and it is important, of course, to Congress which has to appropriate the money each year for these purchases for the armed services, and for the stockpiling and, of course, we should not overlook the fact that there are private consumers, industry and farmers and so on, also buying, and who are also bearing this loss.

That is all, Mr. Chairman.

Senator HUNT. Does that complete your presentation, Mr. McDaniel?

Mr. McDANIEL. I would like to submit these amendments.

(The document referred to follows:)

AMENDMENTS (IN BLACK BRACKETS AND ITALIC) SUGGESTED BY J. S. McDANIEL,  
DESIGNED TO SUPPORT (1) NATIONAL SECURITY AND (2) PHILIPPINE ECONOMY

[S. 3520, 81st Cong., 2d sess.]

[H. R. 8351—Identical bill introduced by Congressman Vinson, May 3, 1950]

A BILL To strengthen the common defense by providing for continuation and expansion of [Western Hemisphere] production of abacá by the United States and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Abacá Production Act of 1950"*

#### DECLARATION OF POLICY

SEC. 2. Whereas abacá, a hard fiber used in the making of marine and other cordage, is a highly strategic and critical material which cannot be produced in commercial quantities in the continental United States, and of which an adequate supply is vital to the industrial and military requirements for the common defense of the United States; therefore, it has been the policy of the United States to continue the program for production and sale of abacá in which it was engaged at the termination of hostilities of World War II, and it is hereby declared to be the policy of the United States [to encourage] that abacá production, [and in that connection] *in any or all suitable areas of the world, shall be encouraged, financed, facilitated and maintained in sufficient productive capacity to assure the availability in time of national emergency of adequate supplies to meet the civilian, military, and naval needs of the country.*

#### WESTERN HEMISPHERE PROGRAM

SEC. 3. *To effectuate, in part, the policy set forth in section 2 of this Act, authority is hereby granted to further the development and maintenance of abacá production in the Western Hemisphere through aid and supplementation of operations under the Strategic and Critical Materials Stock Piling Act (60 Stat. 596) and the national security and common defense.*

[SEC. 3.] (a) (1) Production of abacá in the Western Hemisphere shall be continued: *Provided*, That the total acreage under cultivation shall not exceed the aggregate under cultivation as of the close of the month next preceding the date upon which this Act shall become effective, except that additional acreage may be added in the Western Hemisphere at the direction of the President and reduction of acreage under cultivation to abacá under this Act shall be effected whenever the President shall so direct: *And provided further*, That in no event shall the total number of acres under cultivation to abacá under this Act at any one time exceed fifty thousand.

[(b)] (2) Such surveys and research may be undertaken as are necessary or desirable to obtain the best available land in the Western Hemisphere for the production of abacá, the best development of abacá and development and maintenance of the plantations for the production of abacá established on such land, and the most economical and practical processing and disposition of such fiber and by-products as result from the production of abacá on such land.

[(c)] (3) Abacá fiber, produced under this Act, which from time to time is not needed for stockpiling under the Strategic and Critical Materials Stock Piling Act (60 Stat. 596), as amended, may be sold otherwise than for stockpiling under such Act.



## ADMINISTRATION

【SEC. 40 (a)】 (b) (1) The President may issue such rules and regulations and make such determinations as he deems necessary and appropriate to carry out the provisions of this Act.

【(b)】 (2) All contracts entered into and all acquisitions of property effected under this Act shall be in such manner and on such terms and conditions as the President shall determine.

【(c)】 (3) The President may exercise any or all of the powers, authority, and discretion conferred upon him by this Act through such departments, agencies, officers, Government corporations, or instrumentalities of the United States, whether or not existing at the date of the enactment of this Act, as he may direct.

【(d)】 (4) The President may transfer to the departments, agencies, officers, Government corporations, or instrumentalities of the United States, or to any of them, which he directs to exercise the powers, authority, and discretion conferred upon him by this Act, such facilities, personnel, property, and records relating to such powers, authority, and discretion, as he deems necessary; and he may so transfer all appropriations or other funds available for carrying out such powers, authority, and discretion.

【(e)】 (5) The financial transactions authorized by this Act shall be subject to the Government Corporation Control Act, as amended, and other laws specifically applicable to wholly owned Government corporations as a class.

## FINANCING

【SEC. 5. (a)】 (c) (1) For the purpose of carrying out the functions authorized by this Act, there is hereby established in the Treasury a revolving fund which shall consist of (1) such amounts as the Congress may appropriate thereto, which appropriations are hereby authorized, (2) such amounts as may be paid into the fund pursuant to subsection (e) of this section, and (3) amounts received in connection with any transfer pursuant to subsection 4 (d) of this Act.

【(b)】 (2) Pursuant to regulations prescribed by the President, the Secretary of the Treasury is authorized and directed to make advances from the fund not to exceed a total of \$35,000,000 outstanding at any one time. There shall be added to such advances and treated as advances an amount equal to the net value of assets of the program for the production and sale of abacá as held by the Reconstruction Finance Corporation on the effective date of this Act.

【(c)】 (3) Interest shall be paid on each outstanding advance at such rates as may be determined by the Secretary of the Treasury to be appropriate in view of the terms for which such advances are made.

【(d)】 (4) Appropriations are hereby authorized for payment in the form of a grant, in such amounts as may be estimated in the annual budget as necessary to cover losses. The annual budget program shall specifically set forth any losses sustained in excess of the grant previously made for the last completed fiscal year. Appropriations are hereby authorized for payment to cover such additional losses incurred.

【(e)】 (5) Receipts for each fiscal year may be used for payment of the costs incurred in connection with projects and activities authorized by this Act. After providing out of such receipts for necessary working capital requirements, any amounts in excess thereof shall be paid annually into the fund. Such payment shall be applied to reduce the amount of advances outstanding, and any remaining payments shall be covered into the Treasury as miscellaneous receipts.

【(f)】 (6) Until such time as the appropriations herein authorized are made, such of the powers, authority, and discretion provided for in this Act as the President may delegate to the Reconstruction Finance Corporation may be exercised by the Reconstruction Finance Corporation under the authority conferred by former section 5d (3) of the Reconstruction Finance Corporation Act, as amended (54 Stat. 573, 961; 55 Stat. 249); joint resolution approved June 30, 1945, (59 Stat. 310); and section 12 of the Reconstruction Finance Corporation Act, as amended (61 Stat. 207), with funds recovered or recoverable from its national defense, war, and reconversion activities.

## DISPOSAL OF PROPERTY

【SEC. 6.】 (d) Whenever the President shall determine that any property is excess to the purpose of this Act, or that adequate supplies of abacá will be available from other sources within the Western Hemisphere on a basis acceptable to the United States, property held for the purposes of this Act may be disposed of in such manner and on such terms and conditions as the President may prescribe.

## OTHER AREAS PROGRAM

SEC. 4. To effectuate further, in part, the policy set forth in section 2 of this Act and notwithstanding the provision of any other Act, and upon request of the President, his authorized agent, or on its own initiative, any department, agency, officer, Government corporation, or instrumentality of the United States, whether or not existing at the date of enactment of this Act, is hereby authorized to aid in financing, guaranteeing the financing, and/or facilitating the purposes set forth in section 2 of this Act: *Provided*, That any loans or guaranties for such purpose shall be for specific purposes and must offer reasonable assurance of repayment: *Provided further*, That such repayment shall be completed within a period of not more than 10 years from the date of such loan.

## REPORTS

SEC. [7] 5. Within six months after the close of each fiscal year a report shall be submitted to the Congress on the activities under this Act.

## EFFECTIVE DATE AND DURATION

SEC. [8] 6. This Act shall become effective on April 1, 1950, and shall remain effective for ten years thereafter, unless the President shall direct earlier termination of operations, and for such further period as is necessary to the earliest practicable liquidation of operations under this Act.

Senator HUNT. I wonder, General, if you care to comment on these amendments?

General QUINTON. Mr. Chairman, I would like to comment.

This bill is before us I think you might say, at the instance of the Munitions Board and all the interested parties of the Government—the several departments interested in our national stockpile—as you know, it includes the State Department and the Treasury Department, Interior, Agriculture, ECA, and the other agencies involved, and it is purely a stockpiling measure.

We directed this bill to handle a single situation, and as described by Mr. Schieck of the RFC, because of the uncertainty in playing around with the abacá situation, and not knowing where we were going.

So, it was the purpose here to deal with a single area, a single proposition, to clean that up, and make that clear and then proceed with other problems.

Now, the Munitions Board is of record—Mr. Hawkins in his statement spoke to this point—that there is no intent in any way to preclude any further assistance on the part of the Government to any other area of the world in respect to the production of abacá.

We feel, however, that rather than to open this up in the general way suggested by Mr. McDaniel, that we should first square away this particular situation; and the other matters which you have spoken of, the economic factors and prices, and so forth, they can be examined, and later, as indicated, that some of these things should be done in the Philippines, I think that should be brought up as a separate enabling act, and if it requires appropriations and what not, that should be determined at the time.

Now, of course, that is what I address myself particularly to in respect to his suggested amendment.

The one factor that I think Mr. McDaniel left out of the economic and political factors is that of geography, which has been stressed here, which is important. I cannot disclose the strategic items with respect to military availability with respect to items, and so forth, but I think if the industry representatives here were to be asked if they feel that

the Philippines should be encouraged to increase their production of abacá, their answer would be, yes. I see a nod from these gentlemen over here to that effect; and certainly the Munitions Board would like to see the production of abacá in the Philippines increased. It is to our mutual advantage, the advantage of all of us, so there is nothing in here that precludes any further action along that line.

That is all I have.

Senator HUNT. I would just like to ask you one question, General. Are the various departments that you speak of, are they cognizant of this particular problem and the possibility of these particular amendments when they give their approval to S. 3520, as it is written?

General QUINTON. I thought they were.

Senator HUNT. Do you think they have given it consideration?

General QUINTON. I think the State Department suggested a change which was written into the bill, am I right?

Mr. McDANIEL. I so testified.

General QUINTON. You so testified. This part underscored was a suggestion by the State Department which is in the bill as written.

Senator HUNT. Any further comments? I think that completes the list of witnesses.

Mr. CHAMBERS. I have one question, Mr. Chairman, for the record. I would like to ask a question in connection with the bill as drafted.

I notice that provision is made for the Reconstruction Finance Corporation to continue to operate this abacá project until such time as apparently some other agency of the Government might take them over.

What I would like to ask the representatives of the Munitions Board is this: Is it intended in this bill that the RFC will continue to operate the abacá plantations in the Western Hemisphere so long as the RFC itself is in existence, or do you have in mind setting up a chain of events here which will lead to its transfer to some other governmental agency?

General QUINTON. No, sir. The answer to that is simply this: We were directed by the Executive Office to draft this in the Munitions Board, and representatives of RFC, and Mr. Niederlehner and Mr. Hawkins and others, drafted this.

Now, it went to the Bureau of the Budget where some suggestions were made that the name of a specific agency to handle this be left out, and that it be up to the President to designate what governmental agency should be in this operation.

Out thought had been all the time that it would be the RFC in the drafting of the act. But we have not thought of any other agency, and as the RFC may go one way or another, whatever the assignment may be of this operation has not been a consideration of ours, other than our original thought that it would be with the RFC.

Does that explain it properly?

Mr. NIEDERLEHNER. From our point of view, this maintains complete flexibility of operation, so that whatever might be the decision with reference to RFC, or even beyond its period of succession, the operation could continue.

The language here also provides for the transition period in the event that a transfer had to be made to another agency, you would have an awkward period there if you had no financing after an order had been issued to transfer the function from one agency to another, so that the contingency upon appropriation—



Mr. CHAMBERS. Yes; but the way section 5 (f) reads, Mr. Niederlehner, is this:

"Until such time as the appropriations herein authorized are made," and then the RFC will continue to exercise this thing.

Now, as I understand General Quinton's answer, so long as RFC is in the picture, it is your intention to use RFC to carry on this abacá production project.

Mr. NIEDERLEHNER. Well, we cannot make a statement, of course, for the entire executive branch, but I think we would say that we would be happy to leave the project with the RFC.

Mr. CHAMBERS. Now, just so the record will be complete, has there been discussion in the drafting of this bill indicating that it might go to some other Government department?

Mr. NIEDERLEHNER. Not in the immediate future. There is, let us say, no intention to direct any transfer in the immediate future.

Now, there would be a possibility if there were a major change in the structure of RFC, and restriction of RFC completely to lending functions, along the line of the 1948 act, which was again a restriction of RFC to lending functions, except for certain residual activities. If there were a major change in its structure along that line, the bill would provide a means for taking care of this operational activity. But we would not be the moving force.

I mean we must fit into the over-all fate of RFC. The suggestion would not come from us.

Senator HUNT. Is that all?

Mr. CHAMBERS. That is all I have, sir.

Senator HUNT. Is there any other witness who cares to be heard?

If not, the meeting is adjourned.

Mr. NIEDERLEHNER. Mr. Chairman, I wanted to make a suggestion. A telegram is on the way from the Tubbs Cordage Co., which is a west coast production company, and we would like permission to insert that in the record indicating that the industry on the west coast is in favor of this.

Senator HUNT. That is just a statement you want incorporated in the record?

Mr. NIEDERLEHNER. Yes, sir.

Senator HUNT. Without objection, it will be so done.

(The document referred to follows:)

SAN FRANCISCO, CALIFORNIA.

JOHN GOBLE,

*Chairman, Cordage Institute Committee on Fibers:*

We hereby authorize you to state unequivocally that Tubbs Cordage Co. and its affiliates are in complete accord with the position taken by Cordage Institute and your committee with respect to proposed bill for growth of abacá in Central America.

TUBBS CORDAGE CO.,  
F. P. McCANN, *Vice President.*

Mr. CHAMBERS. Mr. Chairman, I understand there are one or two relatively minor drafting changes recommended by the Munitions Board.

I would like the authority of the chairman, unless some policy is involved, to make them for you before making a report with respect to the bill.

Senator HUNT. Yes.

(Whereupon, at 12:25 p. m., the subcommittee adjourned.)









## ABACÁ PRODUCTION ACT OF 1950

MAY 19 (legislative day, MARCH 29), 1950.—Ordered to be printed

Mr. HUNT, from the Committee on Armed Services, submitted the following

### REPORT

[To accompany S. 3520]

The Committee on Armed Services, to whom was referred the bill (S. 3520) to strengthen the common defense by providing for continuation and expansion of Western Hemisphere production of abacá by the United States, having considered the same, report favorably thereon with amendments, and recommend that the bill, as amended, do pass.

#### AMENDMENTS TO THE BILL

Amend the bill as follows:

On page 2, line 6, after the word "production" delete the comma and insert the following: "throughout the world,".

On page 2, line 14, after the word "continued" delete the semicolon and insert the following: "by the United States Government:".

#### PURPOSE OF THE BILL

The purpose of this legislation is to assist the development of a stockpile of cordage through extending the present governmental production of abacá (Manila fiber) in the Western Hemisphere.

#### EXPLANATION OF THE BILL

One of the most critical agricultural materials needed by this country is manila fiber. Prior to World War II practically the entire supply came from the Philippine Islands. During the war this source was no longer available, and the production of cordage of all kinds suffered because of the nonavailability of abacá. The reaction was of a chain nature, in that as abacá became scarce the producers of cordage went into other types of fibers, which depleted the stocks of those items, and eventually all types of cordage, from those required in

agriculture to those needed for war purposes, were in very short supply. To partially offset this shortage, the Reconstruction Finance Corporation, acting under special legislation to develop defense industries, started the production of abacá in Central America. Climatic and agricultural conditions in that area were satisfactory and the Department of Agriculture had developed a technical knowledge which made such production feasible. Through a management contract with the United Fruit Co. this program was instituted, and at the present time there are approximately 25,000 acres under cultivation. By various laws the Reconstruction Finance Corporation has been required to withdraw from such types of activity excepting in those areas where they already had projects under way. This bill would permit the Government, through the Reconstruction Finance Corporation, or any other appropriate agency, to continue cultivation of abacá in the Western Hemisphere. It permits the expansion of the acreage under cultivation to approximately 50,000 acres.

So far this project has been a self-liquidating one, and sums advanced by the Reconstruction Finance Corporation have either been repaid or could be liquidated if it were necessary to dispose of the project. Testimony before the committee indicated that if there are no drastic changes in the price structure, the expanded program can be self-supporting over a period of time.

The availability in Central America of a ready source of abacá lessens the amount required in the stockpile where it is presently being stored. This is of great importance because Manila fiber can only be stored for a limited period of time, and in the event all of our stockpile requirements of fiber had to be met from the Philippines it is probable that the cost of that particular item in the stockpiling program would be greatly increased because of the inability to properly rotate the stocks.

Testimony in support of this program was unanimous from the various Government departments and the representatives of the cordage industry. There was a fear expressed by certain representatives of industry that the passage of this bill would be interpreted by normal financing agencies in the United States as indicating a policy which might deter financing in the Philippines. This definitely is not the intention of the committee. The Philippine Islands have been and will continue to be the main producers of abacá in the world. Their production is the backbone, in times of peace, of our cordage industry. Accordingly, the committee amended the bill to show clearly that it is the policy of the United States to encourage abacá production throughout the world. However, in the Western Hemisphere, the United States is, in effect, going into business for itself on a very limited scale to provide insurance against the possibility that other sources of abacá would not be available to this country in time of war. This bill should not be interpreted to indicate any lack of interest on the part of the United States and industry in the United States in the development and utilization of abacá from the Philippines or any other source throughout the world.

Testimony given before the committee indicates that it is the intention to use the Reconstruction Finance Corporation as the agency to handle these activities so long as it remains in existence. Furthermore, it is the understanding of the committee that insofar as survey



work and research in this field is concerned, the maximum possible utilization will be made of the technical knowledge and facilities of the Department of Agriculture.

This bill, as amended, is recommended by the Department of Defense and has the approval of the Bureau of the Budget. A copy of the letter from the Secretary of Defense to the chairman of the Senate Armed Services Committee is made a part of this report.

THE SECRETARY OF DEFENSE,  
*Washington, April 27, 1950.*

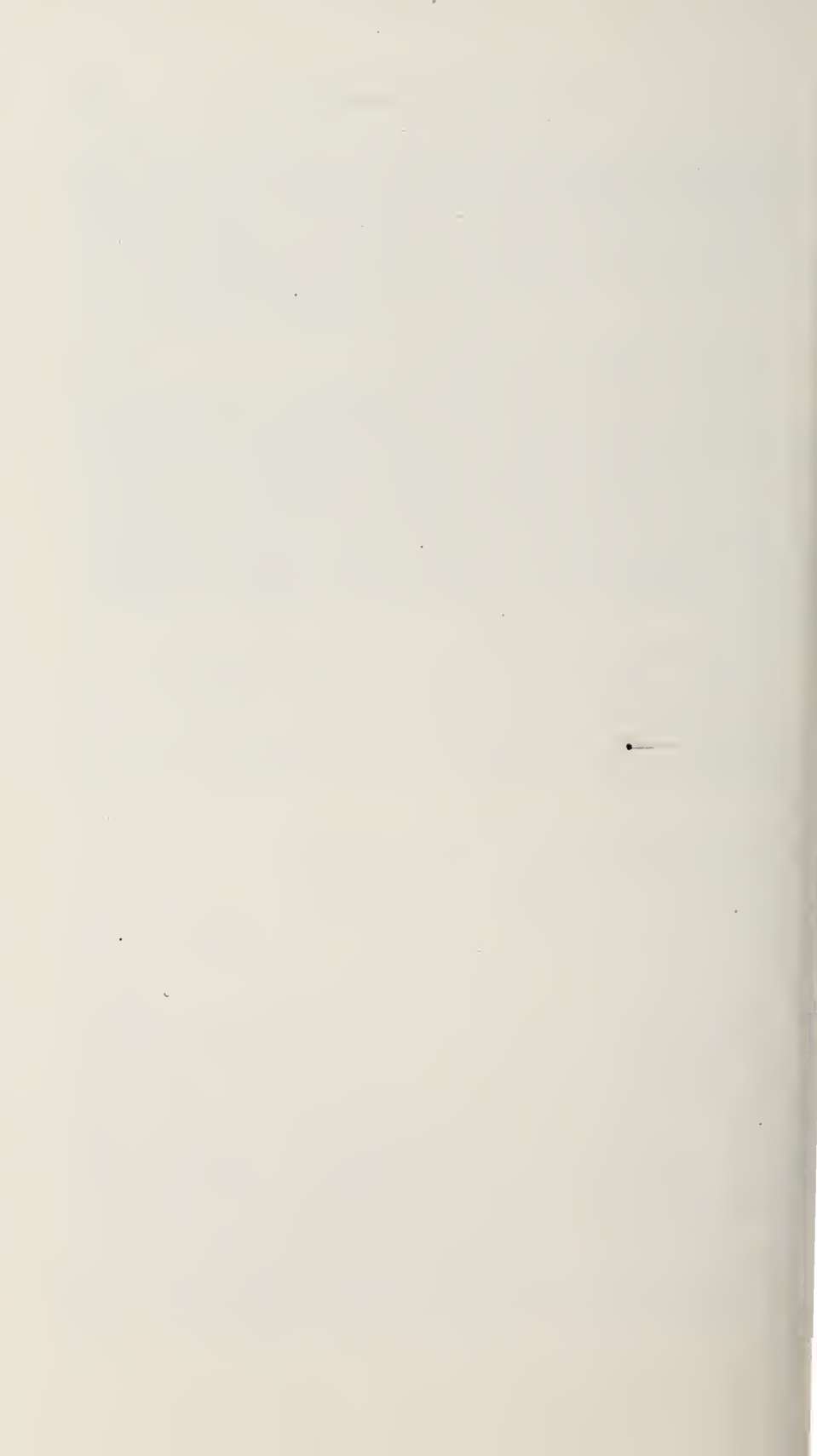
Hon. MILLARD E. TYDINGS,  
*Chairman, Committee on Armed Services,  
United States Senate.*

MY DEAR MR. CHAIRMAN: I am transmitting herewith for the consideration of the Congress, a draft of legislation entitled a bill, "To strengthen the common defense by providing for continuation and expansion of Western Hemisphere production of abacá by the United States", together with a summary explaining the need for the proposed legislation and an analysis of the draft bill.

This proposal is a part of the legislative program of the Department of Defense for 1950. It has been submitted to the Bureau of the Budget for advice as to its relationship to the program of the President and I have been advised that there is no objection to its submittal to the Congress. Since the maintenance of the production of abacá in the Western Hemisphere is a matter of great importance with respect to national security and is of direct interest to the Department of Defense, I strongly recommend that favorable consideration be given to this proposed legislation.

With kind personal regards, I am,  
Sincerely yours,

LOUIS JOHNSON.



**S. 3520**

[Report No. 1678]

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IN THE SENATE OF THE UNITED STATES

MAY 1 (legislative day, MARCH 29), 1950

Mr. TYDINGS introduced the following bill; which was read twice and referred to the Committee on Armed Services

MAY 19 (legislative day, MARCH 29), 1950

Reported by Mr. HUNT, with amendments

[Insert the part printed in italic]

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**A BILL**

To strengthen the common defense by providing for continuation and expansion of Western Hemisphere production of abacá by the United States.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That this Act may be cited as the "Abacá Production Act  
4       of 1950".

5                               DECLARATION OF POLICY

6       SEC. 2. Whereas abacá, a hard fiber used in the making  
7       of marine and other cordage, is a highly strategic and critical  
8       material which cannot be produced in commercial quantities  
9       in the continental United States, and of which an adequate  
10      supply is vital to the industrial and military requirements



1 for the common defense of the United States; therefore, it  
2 has been the policy of the United States to continue the  
3 program for production and sale of abacá in which it was  
4 engaged at the termination of hostilities of World War II,  
5 and it is hereby declared to be the policy of the United  
6 States to encourage abacá production *throughout the world*,  
7 and in that connection to further the development and main-  
8 tenance of abacá production in the Western Hemisphere  
9 through aid and supplementation of operations under the  
10 Strategic and Critical Materials Stock Piling Act (60 Stat.  
11 596) and the national security and common defense.

12

## PROGRAM

13 SEC. 3. (a) Production of abacá in the Western Hemi-  
14 sphere shall be continued *by the United States Government*:  
15 *Provided*, That the total acreage under cultivation shall not  
16 exceed the aggregate under cultivation as of the close of the  
17 month next preceding the date upon which this Act shall  
18 become effective, except that additional acreage may be  
19 added in the Western Hemisphere at the direction of the  
20 President and reduction of acreage under cultivation to  
21 abacá under this Act shall be effected whenever the Presi-  
22 dent shall so direct: *And provided further*, That in no event  
23 shall the total number of acres under cultivation to abacá  
24 under this Act at any one time exceed fifty thousand.

25

(b) Such surveys and research may be undertaken as



1 are necessary or desirable to obtain the best available land  
2 in the Western Hemisphere for the production of abacá,  
3 the best development of abacá and development and main-  
4 tenance of the plantations for the production of abacá  
5 established on such land, and the most economical and  
6 practical processing and disposition of such fiber and by-  
7 products as result from the production of abacá on such  
8 land.

9 (c) Abacá fiber, produced under this Act, which from  
10 time to time is not needed for stockpiling under the Stra-  
11 tegic and Critical Materials Stock Piling Act (60 Stat. 596),  
12 as amended, may be sold otherwise than for stockpiling  
13 under such Act.

#### 14 ADMINISTRATION

15 SEC. 4. (a) The President may issue such rules and  
16 regulations and make such determinations as he deems neces-  
17 sary and appropriate to carry out the provisions of this  
18 Act.

19 (b) All contracts entered into and all acquisitions of  
20 property effected under this Act shall be in such manner  
21 and on such terms and conditions as the President shall  
22 determine.

23 (c) The President may exercise any or all of the  
24 powers, authority, and discretion conferred upon him by this  
25 Act through such departments, agencies, officers, Govern-

1 ment corporations, or instrumentalities of the United States,  
2 whether or not existing at the date of the enactment of this  
3 Act, as he may direct.

4 (d) The President may transfer to the departments,  
5 agencies, officers, Government corporations, or instrumen-  
6 talities of the United States, or to any of them, which he  
7 directs to exercise the powers, authority, and discretion con-  
8 ferred upon him by this Act, such facilities, personnel, prop-  
9 erty, and records relating to such powers, authority, and  
10 discretion, as he deems necessary; and he may so transfer  
11 all appropriations or other funds available for carrying out  
12 such powers, authority, and discretion.

13 (e) The financial transactions authorized by this Act  
14 shall be subject to the Government Corporation Control Act,  
15 as amended, and other laws specifically applicable to wholly  
16 owned Government corporations as a class.

#### 17 FINANCING

18 SEC. 5. (a) For the purpose of carrying out the func-  
19 tions authorized by this Act, there is hereby established in  
20 the Treasury a revolving fund which shall consist of (1)  
21 such amounts as the Congress may appropriate thereto,  
22 which appropriations are hereby authorized, (2) such  
23 amounts as may be paid into the fund pursuant to sub-  
24 section (e) of this section, and (3) amounts received in

1 connection with any transfer pursuant to subsection 4 (d)  
2 of this Act.

3 (b) Pursuant to regulations prescribed by the Presi-  
4 dent, the Secretary of the Treasury is authorized and directed  
5 to make advances from the fund not to exceed a total of  
6 \$35,000,000 outstanding at any one time. There shall be  
7 added to such advances and treated as advances an amount  
8 equal to the net value of assets of the program for the pro-  
9 duction and sale of abacá as held by the Reconstruction  
10 Finance Corporation on the effective date of this Act.

11 (c) Interest shall be paid on each outstanding advance  
12 at such rates as may be determined by the Secretary of the  
13 Treasury to be appropriate in view of the terms for which  
14 such advances are made.

15 (d) Appropriations are hereby authorized for payment  
16 in the form of a grant, in such amounts as may be estimated  
17 in the annual budget as necessary to cover losses. The an-  
18 nual budget program shall specifically set forth any losses  
19 sustained in excess of the grant previously made for the last  
20 completed fiscal year. Appropriations are hereby authorized  
21 for payment to cover such additional losses incurred.

22 (e) Receipts for each fiscal year may be used for pay-  
23 ment of the costs incurred in connection with projects and  
24 activities authorized by this Act. After providing out of

1 such receipts for necessary working capital requirements,  
2 any amounts in excess thereof shall be paid annually into  
3 the fund. Such payment shall be applied to reduce the  
4 amount of advances outstanding, and any remaining pay-  
5 ments shall be covered into the Treasury as miscellaneous  
6 receipts.

7 (f) Until such time as the appropriations herein author-  
8 ized are made, such of the powers, authority, and discretion  
9 provided for in this Act as the President may delegate to  
10 the Reconstruction Finance Corporation may be exercised  
11 by the Reconstruction Finance Corporation under the author-  
12 ity conferred by former section 5d (3) of the Reconstruction  
13 Finance Corporation Act, as amended (54 Stat. 573, 961;  
14 55 Stat. 249) ; joint resolution approved June 30, 1945  
15 (59 Stat. 310) ; and section 12 of the Reconstruction Fi-  
16 nance Corporation Act, as amended (61 Stat. 207), with  
17 funds recovered or recoverable from its national defense, war,  
18 and reconversion activities.

19 **DISPOSAL OF PROPERTY**

20 **SEC. 6.** Whenever the President shall determine that  
21 any property is excess to the purposes of this Act, or that  
22 adequate supplies of abacá will be available from other  
23 sources within the Western Hemisphere on a basis accept-  
24 able to the United States, property held for the purposes of



1 this Act may be disposed of in such manner and on such  
2 terms and conditions as the President may prescribe.

3 REPORTS

4 SEC. 7. Within six months after the close of each fiscal  
5 year a report shall be submitted to the Congress on the  
6 activities under this Act.

7 EFFECTIVE DATE AND DURATION

8 SEC. 8. This Act shall become effective on April 1,  
9 1950, and shall remain effective for ten years thereafter,  
10 unless the President shall direct earlier termination of opera-  
11 tions, and for such further period as is necessary to the  
12 earliest practicable liquidation of operations under this Act.

81<sup>ST</sup> CONGRESS  
2<sup>D</sup> SESSION

**S. 3520**

[Report No. 1678]

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## **A BILL**

To strengthen the common defense by providing  
for continuation and expansion of Western  
Hemisphere production of abacá by the  
United States.

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By Mr. TYDINGS

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MAY 1 (legislative day, MARCH 29), 1950  
Read twice and referred to the Committee on  
Armed Services

MAY 19 (legislative day, MARCH 29), 1950  
Reported with amendments







page 2, line 6, after the word "designate", to insert the following proviso:

*Provided*, That when the person is in an "injured" status, such movement of dependents or household effects may be authorized only in cases where the anticipated period of hospitalization or treatment will be of prolonged duration: *Provided further*, That no transportation shall be authorized under this section unless a reasonable relationship exists between the condition and circumstances of the dependents and the destination to which transportation is requested.

On page 3, line 9, after the word "after", to strike out "March 7, 1942" and insert "September 8, 1939"; in line 12, after the word "officers", to insert "on or after September 8, 1939, and prior to the date of approval of this act", and in line 16, after the word "amended", to strike out "on or after March 7, 1942, and prior to the date of approval of this act, are hereby ratified", so as to make the bill read:

*Be it enacted, etc.*, That section 12 of the Missing Persons Act, as amended (50 U. S. C. App. 1012), is hereby further amended to read as follows:

"Sec. 12. The dependents and household and personal effects of any person in active service (without regard to pay grade) who is officially reported as dead, injured, missing for a period of 30 days or more, interned in a neutral country, or captured by the enemy, upon application by such dependents, may be moved (including packing and unpacking of household effects), upon receipt by such dependents of such official report, to such location as may be determined in advance or subsequently approved by the head of the department concerned or by such person as he may designate: *Provided*, That when the person is in an "injured" status, such movement of dependents or household effects may be authorized only in cases where the anticipated period of hospitalization or treatment will be of prolonged duration: *Provided further*, That no transportation shall be authorized under this section unless a reasonable relationship exists between the condition and circumstances of the dependents and the destination to which transportation is requested: *Provided further*, That the cost of such transportation, including packing and unpacking of household effects, shall be charged against appropriations currently available: *Provided further*, That in lieu of transportation authorized by this section for dependents, the head of the department concerned may authorize the payment in money of amounts equal to such commercial transportation costs for the whole or such part of travel for which transportation in kind is not furnished, when such travel shall have been completed."

SEC. 2. (a) Claims for travel by dependents and for transportation of household and personal effects which arose under section 13 of the Missing Persons Act, as amended, incident to the death of a person in active service, and which were not presented for reimbursement or were presented and were rejected or disallowed, may, until 3 years after the date of approval of this act, be presented for consideration or reconsideration and reimbursement under the provisions of section 12 of the Missing Persons Act, as amended by this act: *Provided*, That this section shall be applicable only to such claims which arose on or after September 8, 1939, and prior to the date of approval of this act.

(b) Payments made by disbursing officers, on or after September 8, 1939, and prior to the date of approval of this act, for travel by dependents and for transportation of household and personal effects pursuant to section 12 of the Missing Persons Act, as amended.

The amendments were agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

#### TIMBER CUTTING ON FLATHEAD INDIAN RESERVATION, MONT.

The bill (H. R. 4509) to amend the act of February 25, 1920 (41 Stat. 452), and for other purposes, was considered, ordered to a third reading, read the third time, and passed.

#### FEDERAL OLD-AGE AND SURVIVORS INSURANCE SYSTEM AND SOCIAL SECURITY ACT—BILL PASSED OVER

The bill (H. R. 6000) to extend and improve the Federal Old-Age and Survivors Insurance System, to amend the public assistance and child-welfare provisions of the Social Security Act, and for other purposes, was announced as next in order.

Mr. HENDRICKSON. Mr. President, the subject matter of this bill is not calendar material at all. I think the bill should be passed over. Therefore, I object to its present consideration.

The PRESIDING OFFICER. Objection being heard, the bill is passed over. PENALTY ON FARM MARKETING EXCESS OF CORN AND WHEAT

The bill (S. 3510) to amend Public Law 74, Seventy-seventh Congress, as amended, relating to the rate of penalty on the farm marketing excess of corn and wheat, was announced as next in order.

Mr. HENDRICKSON. Mr. President, may we have an explanation of the bill?

Mr. ELLENDER. Mr. President, the purpose of Senate bill 3510 is to correct an error which was made in connection with the passage of a bill some time ago.

The enactment of this bill was requested by the Department of Agriculture. The bill provides that the rate of penalty on the farm marketing excess of wheat and corn shall be 50 percent of the parity price. The bill amends section 2 of Public Law 74, Seventy-seventh Congress, which now provides that the rate of penalty shall be 50 percent of the support level prescribed in section 302 of the Agricultural Adjustment Act of 1938. That is the point of this bill, Mr. President. Public Law 439 of the Eighty-first Congress repealed section 302 of that act, and therefore it would appear that the penalty rate would be zero. Senate bill 3510 would correct this situation, but would change the penalty rate from 50 percent of the support price to 50 percent of the parity price. The penalty rate on cotton and rice is also 50 percent of the parity price.

Mr. HENDRICKSON. I thank the Senator.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the bill (S. 3510) was considered, ordered to be engrossed for a third reading, read the third time and passed, as follows:

*Be it enacted, etc.*, That the second sentence of paragraph (2) of Public Law 74, Seventy-seventh Congress, as amended, is hereby amended to read as follows: "The rate of the penalty shall be 50 percent of the parity price per bushel of the com-

modity as of August 1, in the case of corn, and as of May 1, in the case of wheat, of the calendar year in which such crop is produced."

#### EXCHANGE OF LANDS ON SHORES OF NIMROD LAKE, ARK.

The bill (H. R. 4969) to direct the Secretary of Agriculture and the Secretary of the Army to transfer and convey certain lands and thereby facilitate administration and give proper cognizance to the highest use of United States lands, was announced as next in order.

Mr. ELLENDER. Mr. President, this bill authorizes the exchange of about 320 acres of Forest Service lands on the shores of Nimrod Lake in Arkansas for about 306 acres of land under the jurisdiction of the Secretary of the Army and administered by the Corps of Army Engineers. The land under the Forest Service is favorably situated for recreational development while the tract for which it is to be exchanged is better suited for watershed protection. The Department of Agriculture and the Department of the Army recommend enactment of the legislation.

Mr. HENDRICKSON. I thank the Senator.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the bill (H. R. 4969) was considered, ordered to a third reading, read the third time, and passed.

#### LEAVE OF ABSENCE

On his own request, and by unanimous consent, Mr. LANGER was excused from attendance upon the sessions of the Senate until a week from next Monday.

#### EXCHANGE OF LANDS IN ROSS COUNTY AND LAWRENCE COUNTY, OHIO

The bill (H. R. 5913) to authorize the exchange of certain lands of the United States situated in Ross County, Ohio, for lands within the Symmes Creek Purchase Unit in Lawrence County, Ohio, and for other purposes was considered, ordered to a third reading, read the third time, and passed.

#### AMENDMENT OF RICE MARKETING QUOTA PROVISIONS

The bill (H. R. 7700) to amend the rice marketing quota provisions of the Agricultural Adjustment Act of 1938, as amended, was announced as next in order.

Mr. HENDRICKSON. Mr. President, this is extremely important legislation. I think there should be an explanation.

Mr. ELLENDER. Mr. President, this bill provides for a national reserve for adjustment of inadequate farm-acreage allotments of not more than one-half of 1 percent of the national-acreage allotment for rice in 1950 and not more than 1 percent thereafter. The 1950 reserve will be in addition to the national allotment and cannot exceed 7,965 acres. After 1950, the reserve will be taken out of the national-acreage allotment.

The bill also exempts nonirrigated rice produced on farms of 3 acres or less and rice produced outside the continental United States from marketing quotas or acreage allotments.



The House committee report describes the problem in part as follows:

Some farms, because rice was not produced during all of the preceding 5 years, will be required to reduce their 1950 plantings from 1949 plantings by a percentage far in excess of the reduction required on other farms in the same county and State. The national-acreage allotment calls for a reduction of 13.7 percent, whereas the reduction in State-acreage allotments, below 1949 plantings range from 7.8 to 64.8 percent. Unless some relief is afforded, many farmers who have made large investments and who have incurred large indebtedness in providing irrigation facilities for the production of rice, will be faced with bankruptcy.

As I have just indicated, this would increase the rice acreage by only 7,800 acres. It has been recommended by the Department of Agriculture.

Mr. HENDRICKSON. Mr. President, can the distinguished Senator give us an estimate of the cost involved?

Mr. ELLENDER. There is no cost.

Mr. HENDRICKSON. It involves no cost at all?

Mr. ELLENDER. That is correct.

The PRESIDING OFFICER. Is there objection to the consideration of the bill?

There being no objection, the bill was considered, ordered to a third reading, read the third time, and passed.

#### REPEAL OF PROHIBITION AGAINST FILLING VACANCY IN OFFICE OF DISTRICT JUDGE, WESTERN DISTRICT OF PENNSYLVANIA

The Senate proceeded to consider the bill (S. 3099) to repeal the prohibition against the filling of the vacancy in the office of district judge for the western district of Pennsylvania, which had been reported from the Committee on the Judiciary, with amendments, on page 1, line 3, after the word "That", to insert "the judgeship for the western district of Pennsylvania provided for by the act entitled 'An act to provide for the appointment of additional circuit and district judges, and for other purposes,' approved August 3, 1949 (Public Law 205, 81st Cong.), shall hereafter be a permanent judgeship. Accordingly, in order to incorporate the permanent provisions of the said act into the United States Code, as a continuation of existing law and not as a new enactment"; on page 2, line 13, after the word "repealed", to strike out "and" and insert "but its repeal shall not affect the tenure of office"; and in line 15, after the word "subsection" to insert "who", so as to make the bill read:

*Be it enacted, etc.,* That the judgeship for the western district of Pennsylvania provided for by the act entitled "An act to provide for the appointment of additional circuit and district judges, and for other purposes," approved August 3, 1949 (Public Law 205, 81st Cong.), shall hereafter be a permanent judgeship. Accordingly, in order to incorporate the permanent provisions of the said act into the United States Code, as a continuation of existing law and not as a new enactment, title 28, United States Code, section 133, is amended to read as follows with respect to the western district of Pennsylvania:

Districts	Judges
Pennsylvania	4
Western	4

SEC. 2. Subsection (c) of section 2 of the act entitled "An act to provide for the appointment of additional circuit and district judges, and for other purposes," approved August 3, 1949 (Public Law 205, 81st Cong.), is hereby repealed but its repeal shall not affect the tenure of office of the incumbent of the judgeship created by such subsection who shall henceforth hold such position under title 28 in the United States Code, section 133, as amended by this act.

The amendments were agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

#### WESTERN HEMISPHERE PRODUCTION OF ABACA—BILL PASSED OVER

The bill (S. 3520) to strengthen the common defense by providing for continuation and expansion of Western Hemisphere production of abaca by the United States was announced as next in order.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

Mr. HENDRICKSON. Mr. President, on behalf of the senior Senator from Ohio, I object.

Mr. SALTONSTALL. Mr. President, will the Senator withhold his objection long enough to permit an explanation?

Mr. HENDRICKSON. I regret that I am without authority to withhold the objection. I am speaking on behalf of an absent Senator, therefore I cannot very well withhold the objection.

The PRESIDING OFFICER. The Senator declines to withhold his objection.

Mr. SALTONSTALL. Is there objection to the present consideration of the bill?

Mr. HENDRICKSON. Mr. President, it has just occurred to me that the distinguished Senator from Massachusetts may have wanted to put something in the RECORD at this point. If so, I withhold the objection for that purpose.

Mr. SALTONSTALL. Mr. President, the Senator from Massachusetts is a member of the Armed Services Committee, and was ready to explain the bill. I had in mind merely an explanation, but if there is objection, there is nothing to be gained by making it at this time.

Mr. HENDRICKSON. Mr. President, I want to make it quite clear that personally I have no objection whatever to the bill. I object on behalf of the senior Senator from Ohio.

Mr. DOUGLAS. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. DOUGLAS. Is the Senate considering the bill S. 3520?

The PRESIDING OFFICER. It is, but objection is heard, and the bill will go over.

#### PATENT TO LOT SMITH AND HELEN SEYMOUR SMITH

The Senate proceeded to consider the bill (S. 3130) authorizing the issuance of a patent in fee to Lot Smith and Helen Seymour Smith, heirs of Charles Smith, deceased, which had been reported from the Committee on Interior and Insular Affairs, with an amendment to strike out all after the enacting clause, and insert:

That the Secretary of the Interior is hereby authorized to sell the trust allotment No. 144 of Charles Smith, deceased Winnebago allottee, described as the southeast quarter of the northwest quarter of section 3, township 25 north, range 6 east, sixth principal meridian, Nebraska, containing 40 acres, conveyance to be made by deed or the issuance of a patent in fee to the purchaser and to disburse the proceeds of such sale to the heirs, Lot Smith and Helen Seymour Smith, for their benefit.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

The title was amended so as to read: "A bill to authorize the sale of certain allotted inherited land on the Winnebago Reservation, Nebr."

#### PATENT TO JOHN D. DECORA

The Senate proceeded to consider the bill (S. 3128) authorizing the issuance of a patent in fee to John D. Decora, which had been reported from the Committee on Interior and Insular Affairs, with an amendment to strike out all after the enacting clause, and insert:

That the Secretary of the Interior is hereby authorized to sell a portion of the trust allotment No. 535 inherited by John D. Decora, Winnebago Indian, described as the southeast quarter of the northwest quarter of section 12, township 26 north, range 7 east, sixth principal meridian, Nebraska, containing 40 acres, conveyance to be made by deed or the issuance of a patent in fee to the purchaser and to disburse the proceeds of such sale to John D. Decora for his benefit.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed, as follows:

*Be it enacted, etc.,* That the Secretary of the Interior is hereby authorized to sell a portion of the trust allotment numbered 535 inherited by John D. Decora, Winnebago Indian, described as the southeast quarter of the northwest quarter of section 12, township 26 north, range 7 east, sixth principal meridian, Nebraska, containing forty acres, conveyance to be made by deed or the issuance of a patent in fee to the purchaser and to disburse the proceeds of such sale to John D. Decora for his benefit.

The title was amended so as to read: "A bill to authorize the sale of certain allotted inherited land on the Winnebago Reservation, Nebr."

#### SALE OF CERTAIN INHERITED LAND BELONGING TO JAMES CHIEF, AND OTHERS

The Senate proceeded to consider the bill (S. 2949) authorizing the Secretary of the Interior to issue a patent in fee to James Chief, to certain lands, which







to a third reading, read the third time, and passed.

KAZUKO MIYAMA AKANA AND CHANG KING AKANA

The bill (H. R. 7065) for the relief of Kazuko Miyama Akana and Chang King Akana was considered, ordered to a third reading, read the third time, and passed.

SETSUKO AMANO

The bill (H. R. 7066) for the relief of Setsuko Amano was considered, ordered to a third reading, read the third time, and passed.

KOTO KOGAMI KITSU AND JEANNETTE AKEMI KITSU

The bill (H. R. 7073) for the relief of Koto Kogami Kitsu and Jeannette Akemi Kitsu was considered, ordered to a third reading, read the third time, and passed.

NOBUKO MAEDA

The bill (H. R. 7199) for the relief of Nobuko Maeda was considered, ordered to a third reading, read the third time, and passed.

MRS. BERNARD SMITH

The bill (H. R. 7254) for the relief of Mrs. Bernard Smith was announced as next in order.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

Mr. SCHOEPEL. Mr. President, reserving the right to object, may we have an explanation of the bill?

Mr. McCARRAN. Mr. President, the purpose of this bill is to remove the racial barrier to admission into the United States for the wife of a native-born United States citizen.

Special legislation is needed because the wife in this case is half Burmese, and therefore is subject to exclusion on grounds of racial ineligibility to naturalization.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the bill (H. R. 7254) was considered, ordered to a third reading, read the third time, and passed.

MRS. WILLARD THULIN (FORMERLY JUTTA KONO)

The bill (H. R. 7362) for the relief of Mrs. Willard Thulin (formerly Jutta Kono) was considered, ordered to a third reading, read the third time, and passed.

SUZUKO TAKANASHI

The bill (H. R. 7416) for the relief of Suzuko Takanashi was considered, ordered to a third reading, read the third time, and passed.

DAVID GEORGE CALLAWAY

The bill (H. R. 7656) for the relief of David George Callaway was considered, ordered to a third reading, read the third time, and passed.

MITSUKO ITO

The bill (H. R. 7658) for the relief of Mitsuko Ito was considered, ordered to a third reading, read the third time, and passed.

MRS. AKIKO OSADA GUSTAFSON

The bill (H. R. 7632) for the relief of Mrs. Akiko Osada Gustafson was considered, ordered to a third reading, read the third time, and passed.

CLAIM OF AUF DER HEIDE-ARAGONA, INC., AND OTHERS

The bill (H. R. 1606) conferring jurisdiction upon the Court of Claims to hear and determine the claim of Auf der Heide-Aragona, Inc., and certain of its subcontractors against the United States, was announced as next in order.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

Mr. SCHOEPEL. Mr. President, reserving the right to object, let me make an inquiry. There is a committee amendment, and then there is an amendment which I desire to offer, by way of clarification. I should like to have the distinguished Senator from Nevada comment on it, if he will, for I understand that it has been submitted to him.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on the Judiciary with an amendment, on page 1, in line 9, after the word "Maryland", to strike out the colon and the following proviso: "Provided, That if the said court shall find that the United States through any of its departments or agencies delayed the issuance of priorities which resulted in subjecting the said contractor and its subcontractors to additional costs, including overhead expense, or if the said court shall find the United States, through any such department or agency, including Defense Plant Corporation, sponsored any work program in the general area of the contractor's work which rendered it impossible for the contractor and its subcontractors to achieve that degree of labor performance which they would have achieved had any such work program not existed, or made it necessary for them to pay higher wages for such labor as was available than they would otherwise have had to pay, and that these conditions subjected the contractor and its subcontractors to additional cost and overhead expense, then the said court shall in either event enter judgment for the contractor and its subcontractors in the amount of such additional costs, including a reasonable allowance for profit based upon such excess of cost and overhead expense."

Mr. McCARRAN. Mr. President, by way of explanation of House bill 1606, let me say that the purpose of the bill is to confer jurisdiction upon the Court of Claims to hear and determine the claim of a contractor and certain subcontractors, arising out of performance of a contract with the Veterans' Administration for the construction of a hospital building. The claim involves extra costs incurred under the contract, due largely to the failure of the War Production Board to issue priority certificates for necessary materials.

The claim involves disputed issues of fact, and it was the judgment of the committee that these should be passed upon by the Court of Claims.

As it passed the House, the bill contained provisions which might have prejudiced the Government in the court action. The Senate committee has deleted these provisions.

It has been suggested that the bill should be amended so as to provide in terms that its enactment carries no implication of liability on the part of the Government. No such provision was added to the bill because it was felt by the committee that, having deleted all material prejudicial to the Government, such a provision was not needed. However, there would certainly be no objection to an amendment in this regard, if it is offered.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment, which has been stated.

The amendment was agreed to.

Mr. SCHOEPEL. Mr. President, I offer and send to the desk an amendment, which I ask to have stated.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. Before the period at the end of the bill, it is proposed to insert the following: "Provided, however, That nothing contained in this act shall be construed as an inference of liability on the part of the United States Government."

Mr. McCARRAN. Mr. President, I have no objection to the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Kansas.

The amendment was agreed to.

The PRESIDING OFFICER. If there is no further amendment to be proposed, the question is on the engrossment of the amendments and third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

PRODUCTION OF ABACÁ BY THE UNITED STATES—BILL PLACED AT THE FOOT OF THE CALENDAR

Mr. HUNT. Mr. President, I ask unanimous consent that the Senate revert in the calendar to the consideration of Senate bill 3520, Calendar No. 1689. That measure was called during the last call of the calendar, but its consideration was objected to at that time, in my absence. I shall appreciate having an opportunity to explain the bill, if there is further objection today.

The PRESIDING OFFICER. Is there objection to the unanimous-consent request that the Senate revert in the calendar to the consideration of Senate bill 3520, Calendar No. 1689?

Mr. TAFT. Mr. President, reserving the right to object—and let me say that I objected at the last call of the calendar, but I intend to withdraw the objection—I should like to say that, briefly, my objection to the bill is this: There is a



shortage of hemp. Hemp is perhaps in time of war difficult to obtain from the Philippine Islands. The United States Government is producing a certain number of acres of hemp somewhere in Central America, and now it is desired to double that production.

I wish to ask what is the principle on which the United States Government, if there is found to be a shortage of some commodity or that there is some difficulty in transportation in connection with that commodity during wartime, goes to some foreign country and itself goes into the business of producing that commodity or article?

Hemp is only one of several hundred commodities which might be necessary in time of war. What is the justification for having the United States Government itself request the right to go into the business of producing commodities—which is not the business of the Government—and, in this case, in a foreign country? That is the question I have in mind.

Mr. HUNT. Mr. President, I should like to say to the distinguished Senator from Ohio that this is an isolated case. It is a matter in which the armed services—all three components of the Military Establishment—have manifested a great interest because of the extreme shortage of a product known as abacá, used in the manufacture of rope.

The Navy is primarily interested. Since objection was made the other day to consideration of the bill during the previous call of the calendar, representatives of the Navy have approached me and asked me to try to have this measure taken up by the Senate during this call of the calendar.

The arrangement for the production of abacá was negotiated during the war. That program is due to expire.

As chairman of the subcommittee for stockpiling, this bill came to my attention.

I can say to the distinguished Senator from Ohio that there is a great need for the stockpiling of abacá at the present time. Our past supply always came in abundance from the Philippines, but during the war the industry there was disrupted, until today the production of abacá in the Philippines is nowhere near sufficient to meet our requirements and to give us any abacá at all for stockpiling. The stockpiling of this particular item today is practically nil.

Mr. TAFT. Mr. President, I still do not understand why, when there is a shortage of some commodity, the United States Government itself should go into the business of producing that commodity. Up to now, we have engaged in that operation in the Central American country referred to, and apparently we have shown whether abacá can be produced effectively there. Why should we now undertake to have the Government itself fill this shortage, any more than the Government should engage in operations to fill the shortage of any other agricultural commodity which may be difficult to obtain? If we are going to raise abacá, there is no reason to think that it cannot be raised in the Philippines as well as elsewhere. In fact, in

connection with the matter of the restoration of the economy of the Philippines, the production of abacá there is a perfectly easy thing to do, for that is where abacá has always been grown.

The fact of the matter is that we think abacá will be difficult to obtain from the Philippines in time of war; that is the justification for raising abacá in Central America.

Is it not questionable for the United States Government itself to begin to engage in the production of a commodity which may be needed in time of war?

Mr. HUNT. I do not think so, for the reason that this is one particular item for which a contract was made during the war, and the contract is still in existence.

Mr. TAFT. However, is it not true that the present proposal is to double the production, as compared to what has been produced up to now?

Mr. HUNT. Nevertheless, in doing so, we still shall not be able to build up the stockpile we should like to create.

We have specifically provided in the bill that in no way shall it act to the disadvantage of increasing production in the Philippines. The contract is expected to be extended for only 1 year; and I would say to the Senator from Ohio that it takes several years to get a stand of abacá under production.

It is an unusual plant, which grows to a height of about 12 feet. From its fibers are taken for the manufacture of rope, which the Navy needs so badly, and for which they have been unable to find a substitute anywhere nearly approaching this product in its particular value for rope making. I should like to assure the Senator from Ohio that the junior Senator from Wyoming would not favor going into any wholesale business of this kind.

The PRESIDING OFFICER. The Senator's time has expired. Is there objection to the request of the Senator from Wyoming to revert to Calendar No. 1689, Senate bill 3520?

Mr. TAFT. Mr. President, this is a special case, I suppose. I do not see the justification for it. I do not want to interfere with the United States military plans. I only enter a protest, and if this principle is to be extended I certainly shall object. But I shall not object to this bill.

The PRESIDING OFFICER. Is there objection?

Mr. McCARRAN and Mr. KNOWLAND addressed the Chair.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. McCARRAN. Mr. President, we had a unanimous-consent agreement that we would go forward with the call of bills on the calendar as to which there was no objection. This bill appears on the calendar at a point prior to that where we started to call the calendar, and while I am entirely sympathetic with the passage of the bill, yet if we agree now to consider it and establish the precedent, we shall be going back of that point continually all afternoon. I should like to clean up the calendar and then take up these other measures.

The PRESIDING OFFICER. Objection is heard.

Mr. LUCAS and Mr. HUNT addressed the Chair.

The PRESIDING OFFICER. The Senator from Illinois.

Mr. LUCAS. I hope the Senator will not object to this bill. I think the Senator from Nevada is correct and that we ought to go on through with the calendar. Then, following the conclusion of the calendar call, I should like to have the Senator from Wyoming call up this bill and perhaps debate it thoroughly. It is an important measure. But under the previous unanimous-consent agreement, we should go through the call of the calendar; otherwise, we will be going back to take up numerous other bills.

The PRESIDING OFFICER. Does the Senator from Nevada yield the floor?

Mr. McCARRAN. I yield the floor. I shall have no objection to the bill when it comes up.

Mr. MAYBANK. Mr. President, I should like to ask the majority leader whether he has any idea when the calendar will be called again?

Mr. LUCAS. I may say to the Senator from South Carolina, I cannot tell him that.

Mr. MAYBANK. There is quite an important bill, Calendar No. 1115, House bill 1161, to provide for the conversion of national banking associations into and their merger or consolidation with State banks, and for other purposes, which I was thinking of calling up out of order. However, I realize of course that I cannot call it up until we have reached the end of the calendar, and I shall not want to do it then, if the calendar is to be called within, say, 2 weeks.

Mr. LUCAS. I should think it would be called within that time, but I cannot make any agreement about it. It all depends upon how the debate proceeds with respect to the various measures which may be pending before the Senate from time to time.

Mr. MAYBANK. I make no request. May I ask the majority leader this question, then? We shall certainly have a chance to have a vote one way or other on the bill to which I have referred before the adjournment of the Congress, shall we not?

Mr. LUCAS. The Senator is correct about that. It is an important measure. I realize its importance. If necessary, we could take it up on motion following the conclusion of the call of the calendar.

The PRESIDING OFFICER. Objection is heard to the request.

Mr. HUNT. Mr. President, I ask unanimous consent that Calendar No. 1689, Senate bill 3520, be placed at the foot of the calendar.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered. The clerk will call the next bill on the calendar.

CITY OF CHESTER, ILL.—BILL PASSED OVER

The bill (H. R. 2365) for the relief of the city of Chester, Ill., was announced as next in order.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

Mr. DONNELL. Mr. President, reserving the right to object, may I ask a







81<sup>ST</sup> CONGRESS  
2<sup>D</sup> SESSION

# S. 3520

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IN THE HOUSE OF REPRESENTATIVES

JUNE 19, 1950

Referred to the Committee on Armed Services

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## AN ACT

To strengthen the common defense by providing for continuation and expansion of Western Hemisphere production of abacá by the United States.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That this Act may be cited as the "Abacá Production Act  
4       of 1950".

5                               DECLARATION OF POLICY

6       SEC. 2. Whereas abacá, a hard fiber used in the making  
7       of marine and other cordage, is a highly strategic and critical  
8       material which cannot be produced in commercial quantities  
9       in the continental United States, and of which an adequate  
10      supply is vital to the industrial and military requirements

1 for the common defense of the United States; therefore, it  
2 has been the policy of the United States to continue the  
3 program for production and sale of abacá in which it was  
4 engaged at the termination of hostilities of World War II,  
5 and it is hereby declared to be the policy of the United  
6 States to encourage abacá production throughout the world,  
7 and in that connection to further the development and main-  
8 tenance of abacá production in the Western Hemisphere  
9 through aid and supplementation of operations under the  
10 Strategic and Critical Materials Stock Piling Act (60 Stat.  
11 596) and the national security and common defense.

12 PROGRAM

13 SEC. 3. (a) Production of abacá in the Western Hemi-  
14 sphere shall be continued by the United States Government:  
15 *Provided*, That the total acreage under cultivation shall not  
16 exceed the aggregate under cultivation as of the close of the  
17 month next preceding the date upon which this Act shall  
18 become effective, except that additional acreage may be  
19 added in the Western Hemisphere at the direction of the  
20 President and reduction of acreage under cultivation to  
21 abacá under this Act shall be effected whenever the Presi-  
22 dent shall so direct: *And provided further*, That in no event  
23 shall the total number of acres under cultivation to abacá  
24 under this Act at any one time exceed fifty thousand.

25 (b) Such surveys and research may be undertaken as

1 are necessary or desirable to obtain the best available land  
2 in the Western Hemisphere for the production of abacá,  
3 the best development of abacá and development and main-  
4 tenance of the plantations for the production of abacá  
5 established on such land, and the most economical and  
6 practical processing and disposition of such fiber and by-  
7 products as result from the production of abacá on such  
8 land.

9 (c) Abacá fiber, produced under this Act, which from  
10 time to time is not needed for stockpiling under the Stra-  
11 tegic and Critical Materials Stock Piling Act (60 Stat. 596),  
12 as amended, may be sold otherwise than for stockpiling  
13 under such Act.

#### 14 ADMINISTRATION

15 SEC. 4. (a) The President may issue such rules and  
16 regulations and make such determinations as he deems neces-  
17 sary and appropriate to carry out the provisions of this  
18 Act.

19 (b) All contracts entered into and all acquisitions of  
20 property effected under this Act shall be in such manner  
21 and on such terms and conditions as the President shall  
22 determine.

23 (c) The President may exercise any or all of the  
24 powers, authority, and discretion conferred upon him by this  
25 Act through such departments, agencies, officers, Govern-

1 ment corporations, or instrumentalities of the United States,  
2 whether or not existing at the date of the enactment of this  
3 Act, as he may direct.

4 (d) The President may transfer to the departments,  
5 agencies, officers, Government corporations, or instrumen-  
6 talities of the United States, or to any of them, which he  
7 directs to exercise the powers, authority, and discretion con-  
8 ferred upon him by this Act, such facilities, personnel, prop-  
9 erty, and records relating to such powers, authority, and  
10 discretion, as he deems necessary; and he may so transfer  
11 all appropriations or other funds available for carrying out  
12 such powers, authority, and discretion.

13 (e) The financial transactions authorized by this Act  
14 shall be subject to the Government Corporation Control Act,  
15 as amended, and other laws specifically applicable to wholly  
16 owned Government corporations as a class.

17 FINANCING

18 SEC. 5. (a) For the purpose of carrying out the func-  
19 tions authorized by this Act, there is hereby established in  
20 the Treasury, a revolving fund which shall consist of (1)  
21 such amounts as the Congress may appropriate thereto,  
22 which appropriations are hereby authorized, (2) such  
23 amounts as may be paid into the fund pursuant to sub-  
24 section (e) of this section, and (3) amounts received in



1 connection with any transfer pursuant to subsection 4 (d)  
2 of this Act.

3 (b) Pursuant to regulations prescribed by the Presi-  
4 dent, the Secretary of the Treasury is authorized and directed  
5 to make advances from the fund not to exceed a total of  
6 \$35,000,000 outstanding at any one time. There shall be  
7 added to such advances and treated as advances an amount  
8 equal to the net value of assets of the program for the pro-  
9 duction and sale of abacá as held by the Reconstruction  
10 Finance Corporation on the effective date of this Act.

11 (c) Interest shall be paid on each outstanding advance  
12 at such rates as may be determined by the Secretary of the  
13 Treasury to be appropriate in view of the terms for which  
14 such advances are made.

15 (d) Appropriations are hereby authorized for payment  
16 in the form of a grant, in such amounts as may be estimated  
17 in the annual budget as necessary to cover losses. The an-  
18 nual budget program shall specifically set forth any losses  
19 sustained in excess of the grant previously made for the last  
20 completed fiscal year. Appropriations are hereby authorized  
21 for payment to cover such additional losses incurred.

22 (e) Receipts for each fiscal year may be used for pay-  
23 ment of the costs incurred in connection with projects and  
24 activities authorized by this Act. After providing out of

1 such receipts for necessary working capital requirements,  
2 any amounts in excess thereof shall be paid annually into  
3 the fund. Such payment shall be applied to reduce the  
4 amount of advances outstanding, and any remaining pay-  
5 ments shall be covered into the Treasury as miscellaneous  
6 receipts.

7 (f) Until such time as the appropriations herein author-  
8 ized are made, such of the powers, authority, and discretion  
9 provided for in this Act as the President may delegate to  
10 the Reconstruction Finance Corporation may be exercised  
11 by the Reconstruction Finance Corporation under the author-  
12 ity conferred by former section 5d (3) of the Reconstruction  
13 Finance Corporation Act, as amended (54 Stat. 573, 961;  
14 55 Stat. 249) ; joint resolution approved June 30, 1945  
15 (59 Stat. 310) ; and section 12 of the Reconstruction Fi-  
16 nance Corporation Act, as amended (61 Stat. 207), with  
17 funds recovered or recoverable from its national defense, war,  
18 and reconversion activities.

19 DISPOSAL OF PROPERTY

20 SEC. 6. Whenever the President shall determine that  
21 any property is excess to the purposes of this Act, or that  
22 adequate supplies of abacá will be available from other  
23 sources within the Western Hemisphere on a basis accept-  
24 able to the United States, property held for the purposes of

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Passed the Senate June 16 (legislative day, June 7), 1950.

Attest:

LESLIE L. BIFFLE,  
*Secretary.*

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## AN ACT

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To strengthen the common defense by providing for continuation and expansion of Western Hemisphere production of abaca by the United States.

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JUNE 19, 1950

Referred to the Committee on Armed Services







[No. 200]

**SUBCOMMITTEE HEARINGS ON S. 3520, TO STRENGTHEN THE COMMON DEFENSE BY PROVIDING FOR CONTINUATION AND EXPANSION OF WESTERN HEMISPHERE PRODUCTION OF ABACÁ BY THE UNITED STATES**

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON ARMED SERVICES,  
SUBCOMMITTEE No. 3,  
*Washington, D. C., Tuesday, June 20, 1950.*

The subcommittee met at 10 a. m., Hon. Carl T. Durham (chairman) presiding.

Mr. DURHAM. The committee will come to order.

The meeting this morning is called for consideration of H. R. 8351 and S. 3520.

(The bills referred to are as follows:)

[H. R. 8351, 81st Cong., 2d sess.]

A BILL To strengthen the common defense by providing for continuation and expansion of Western Hemisphere production of abacá by the United States

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Abacá Production Act of 1950".*

**DECLARATION OF POLICY**

SEC. 2. Whereas abacá, a hard fiber used in the making of marine and other cordage, is a highly strategic and critical material which cannot be produced in commercial quantities in the continental United States, and of which an adequate supply is vital to the industrial and military requirements for the common defense of the United States, therefore, it has been the policy of the United States to continue the program for production and sale of abacá in which it was engaged at the termination of hostilities of World War II, and it is hereby declared to be the policy of the United States to encourage abacá production, and in that connection to further the development and maintenance of abacá production in the Western Hemisphere through aid and supplementation of operations under the Strategic and Critical Materials Stock Piling Act (60 Stat. 596) and the national security and common defense.

**PROGRAM**

SEC. 3. (a) Production of abacá in the Western Hemisphere shall be continued: *Provided*, That the total acreage under cultivation shall not exceed the aggregate under cultivation as of the close of the month next preceding the date upon which this Act shall become effective, except that additional acreage may be added in the Western Hemisphere at the direction of the President and reduction of acreage under cultivation to abacá under this Act shall be effected whenever the President shall so direct: *And provided further*, That in no event shall the total number of acres under cultivation to abacá under this Act at any one time exceed fifty thousand.

(b) Such surveys and research may be undertaken as are necessary or desirable to obtain the best available land in the Western Hemisphere for the production of abacá, the best development of abacá and development and maintenance of the plantations for the production of abacá established on such land,

and the most economical and practical processing and disposition of such fiber and byproducts as result from the production of abacá on such land.

(c) Abacá fiber, produced under this Act, which from time to time is not needed for stock piling under the Strategic and Critical Materials Stock Piling Act (60 Stat. 596), as amended, may be sold otherwise than for stock piling under such Act.

#### ADMINISTRATION

SEC. 4. (a) The President may issue such rules and regulations and make such determinations as he deems necessary and appropriate to carry out the provisions of this Act.

(b) All contracts entered into and all acquisitions of property effected under this Act shall be in such manner and on such terms and conditions as the President shall determine.

(c) The President may exercise any or all of the powers, authority, and discretion conferred upon him by this Act through such departments, agencies, officers, Government corporations, or instrumentalities of the United States, whether or not existing at the date of the enactment of this Act, as he may direct.

(d) The President may transfer to the departments, agencies, officers, Government corporations, or instrumentalities of the United States, or to any of them, which he directs to exercise the powers, authority, and discretion conferred upon him by this Act, such facilities, personnel, property, and records relating to such powers, authority, and discretion, as he deems necessary; and he may so transfer all appropriations or other funds available for carrying out such powers, authority, and discretion.

(e) The financial transactions authorized by this Act shall be subject to the Government Corporation Control Act, as amended, and other laws specifically applicable to wholly owned Government corporations as a class.

#### FINANCING

SEC. 5. (a) For the purpose of carrying out the functions authorized by this Act, there is hereby established in the Treasury a revolving fund which shall consist of (1) such amounts as the Congress may appropriate thereto, which appropriations are hereby authorized, (2) such amounts as may be paid into the fund pursuant to subsection (e) of this section, and (3) amounts received in connection with any transfer pursuant to subsection 4 (d) of this Act.

(b) Pursuant to regulations prescribed by the President, the Secretary of the Treasury is authorized and directed to make advances from the fund not to exceed a total of \$35,000,000 outstanding at any one time. There shall be added to such advances and treated as advances an amount equal to the net value of assets of the program for the production and sale of abacá as held by the Reconstruction Finance Corporation on the effective date of this Act.

(c) Interest shall be paid on each outstanding advance at such rates as may be determined by the Secretary of the Treasury to be appropriate in view of the terms for which such advances are made.

(d) Appropriations are hereby authorized for payment in the form of a grant, in such amounts as may be estimated in the annual budget as necessary to cover losses. The annual budget program shall specifically set forth any losses sustained in excess of the grant previously made for the last completed fiscal year. Appropriations are hereby authorized for payment to cover such additional losses incurred.

(e) Receipts for each fiscal year may be used for payment of the costs incurred in connection with project and activities authorized by this Act. After providing out of such receipts for necessary working capital requirements, any amounts in excess thereof shall be paid annually into the fund. Such payment shall be applied to reduce the amount of advances outstanding, and any remaining payments shall be covered into the Treasury as miscellaneous receipts.

(f) Until such time as the appropriations herein authorized are made, such of the powers, authority, and discretion provided for in this Act as the President may delegate to the Reconstruction Finance Corporation may be exercised by the Reconstruction Finance Corporation under the authority conferred by former section 5d (3) of the Reconstruction Finance Corporation Act, as amended (54 Stat. 573, 961; 55 Stat. 249), joint resolution approved June 30, 1945 (59 Stat. 310), and section 12 of the Reconstruction Finance Corporation Act, as amended (61 Stat. 207), with funds recovered or recoverable from its national defense, war, and reconversion activities.



## DISPOSAL OF PROPERTY

SEC. 6. Whenever the President shall determine that any property is excess to the purposes of this Act, or that adequate supplies of abacá will be available from other sources within the Western Hemisphere on a basis acceptable to the United States, property held for the purposes of this Act may be disposed of in such manner and on such terms and conditions as the President may prescribe.

## REPORTS

SEC. 7. Within six months after the close of each fiscal year a report shall be submitted to the Congress on the activities under this Act.

## EFFECTIVE DATE AND DURATION

SEC. 8. This Act shall become effective on April 1, 1950, and shall remain effective for ten years thereafter, unless the President shall direct earlier termination of operations, and for such further period as is necessary to the earliest practicable liquidation of operations under this Act.

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[S. 3520, 81st Cong., 2d sess.]

AN ACT To strengthen the common defense by providing for continuation and expansion of Western Hemisphere production of abacá by the United States

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act may be cited as the "Abacá Production Act of 1950."

## DECLARATION OF POLICY

SEC. 2. Whereas abacá, a hard fiber used in the making of marine and other cordage, is a highly strategic and critical material which cannot be produced in commercial quantities in the continental United States, and of which an adequate supply is vital to the industrial and military requirements for the common defense of the United States; therefore, it has been the policy of the United States to continue the program for production and sale of abacá in which it was engaged at the termination of hostilities of World War II, and it is hereby declared to be the policy of the United States to encourage abacá production throughout the world, and in that connection to further the development and maintenance of abacá production in the Western Hemisphere through aid and supplementation of operations under the Strategic and Critical Materials Stock Piling Act (60 Stat. 596) and the national security and common defense.

## PROGRAM

SEC. 3. (a) Production of abacá in the Western Hemisphere shall be continued by the United States Government: *Provided*, That the total acreage under cultivation shall not exceed the aggregate under cultivation as of the close of the month next preceding the date upon which this Act shall become effective, except that additional acreage may be added in the Western Hemisphere at the direction of the President and reduction of acreage under cultivation to abacá under this Act shall be effected whenever the President shall so direct: *And provided further*, That in no event shall the total number of acres under cultivation to abacá under this Act at any one time exceed fifty thousand.

(b) Such surveys and research may be undertaken as are necessary or desirable to obtain the best available land in the Western Hemisphere for the production of abacá, the best development of abacá, and development and maintenance of the plantations for the production of abacá established on such land, and the most economical and practical processing and disposition of such fiber and byproducts as result from the production of abacá on such land.

(c) Abacá fiber, produced under this Act, which from time to time is not needed for stockpiling under the Strategic and Critical Materials Stock Piling Act (60 Stat. 596), as amended, may be sold otherwise than for stockpiling under such Act.

## ADMINISTRATION

SEC. 4. (a) The President may issue such rules and regulations and make such determinations as he deems necessary and appropriate to carry out the provisions of this Act.

(b) All contracts entered into and all acquisitions of property effected under this Act shall be in such manner and on such terms and conditions as the President shall determine.

(c) The President may exercise any or all of the powers, authority, and discretion conferred upon him by this Act through such departments, agencies, officers, Government corporations, or instrumentalities of the United States, whether or not existing at the date of the enactment of this Act, as he may direct.

(d) The President may transfer to the departments, agencies, officers, Government corporations, or instrumentalities of the United States, or to any of them, which he directs to exercise the powers, authority, and discretion conferred upon him by this Act, such facilities, personnel, property, and records relating to such powers, authority, and discretion, as he deems necessary; and he may so transfer all appropriations or other funds available for carrying out such powers, authority, and discretion.

(e) The financial transactions authorized by this Act shall be subject to the Government Corporation Control Act, as amended, and other laws specifically applicable to wholly owned Government corporations as a class.

#### FINANCING

SEC. 5. (a) For the purpose of carrying out the functions authorized by this Act, there is hereby established in the Treasury, a revolving fund which shall consist of (1) such amounts as the Congress may appropriate thereto, which appropriations are hereby authorized, (2) such amounts as may be paid into the fund pursuant to subsection (e) of this section, and (3) amounts received in connection with any transfer pursuant to subsection 4 (d) of this Act.

(b) Pursuant to regulations prescribed by the President, the Secretary of the Treasury is authorized and directed to make advances from the fund not to exceed a total of \$35,000,000 outstanding at any one time. There shall be added to such advances and treated as advances an amount equal to the net value of assets of the program for the production and sale of abacá as held by the Reconstruction Finance Corporation on the effective date of this Act.

(c) Interest shall be paid on each outstanding advance at such rates as may be determined by the Secretary of the Treasury to be appropriate in view of the terms for which such advances are made.

(d) Appropriations are hereby authorized for payment in the form of a grant, in such amounts as may be estimated in the annual budget as necessary to cover losses. The annual budget program shall specifically set forth any losses sustained in excess of the grant previously made for the last completed fiscal year. Appropriations are hereby authorized for payment to cover such additional losses incurred.

(e) Receipts for each fiscal year may be used for payment of the costs incurred in connection with projects and activities authorized by this Act. After providing out of such receipts for necessary working capital requirements, any amounts in excess thereof shall be paid annually into the fund. Such payment shall be applied to reduce the amount of advances outstanding, and any remaining payments shall be covered into the Treasury as miscellaneous receipts.

(f) Until such time as the appropriations herein authorized are made, such of the powers, authority, and discretion provided for in this Act as the President may delegate to the Reconstruction Finance Corporation may be exercised by the Reconstruction Finance Corporation under the authority conferred by former section 5d (3) of the Reconstruction Finance Corporation Act, as amended (54 Stat. 573, 961; 55 Stat. 249); joint resolution approved June 30, 1945 (59 Stat. 310); and section 12 of the Reconstruction Finance Corporation Act, as amended (61 Stat. 207), with funds recovered or recoverable from its national defense, war, and reconversion activities.

#### DISPOSAL OF PROPERTY

SEC. 6. Whenever the President shall determine that any property is excess to the purposes of this Act, or that adequate supplies of abacá will be available from other sources within the Western Hemisphere on a basis acceptable to the United States, property held for the purposes of this Act may be disposed of in such manner and on such terms and conditions as the President may prescribe.

#### REPORTS

SEC. 7. Within six months after the close of each fiscal year a report shall be submitted to the Congress on the activities under this Act.

## EFFECTIVE DATE AND DURATION

SEC. 8. This Act shall become effective on April 1, 1950, and shall remain effective for ten years thereafter; unless the President shall direct earlier termination of operations, and for such further period as is necessary to the earliest practicable liquidation of operations under this Act.

Passed the Senate June 16 (legislative day, June 7), 1950.

Attest:

LESLIE L. BIFFLE, *Secretary*.

Mr. DURHAM. H. R. 8351 is a bill to strengthen the common defense by providing for continuation and expansion of Western Hemisphere production of abacá by the United States.

I believe the first witness this morning is Maj. Gen. A. B. Quinton, Jr.

You may proceed.

**STATEMENT OF MAJ. GEN. A. B. QUINTON, JR., UNITED STATES ARMY, ACTING DIRECTOR OF PRODUCTION MANAGEMENT FOR THE MUNITIONS BOARD**

General QUINTON. We are appearing before you in connection with the bill, H. R. 8351, as you have stated, and Senate bill 3520, which has been passed by the Senate, a companion bill.

I would like, sir, to read into the record a statement in support of this legislation giving all of the salient factors involved.

We are concerned with the serious prospect of a scarcity of cordage fiber during a possible future emergency. In particular, abacá is highly essential in industry and for military purposes to make good grade rope and is one of the most important agricultural materials being stockpiled. In World War II, substitutes for abacá proved unsatisfactory, uneconomical, unsafe, or wasteful of manpower and strategic materials.

Abacá cannot be grown in the United States. It needs tropical sun, rain, and shelter. The Philippine Islands used to export 95 to 98 percent of the world's abacá, but the Philippines are more than 8,000 miles of water haul from the United States. During World War II they were cut off from us for most of the war.

We have difficulty getting enough abacá for the stockpile; world production has declined to about one-third of prewar and the price is nearly four times as high as before the war. Our lifesaver is the fact that we still have five abacá plantations that were sponsored by the Reconstruction Finance Corporation during World War II in Central America. These plantations are giving us an important margin of supplies for the stockpile and, being fairly close to the United States, would probably be available in any future emergency.

Quick action is necessary to preserve these plantations. The Reconstruction Finance Corporation needs additional peacetime authority to continue the Central American operations. The letter of authority in this particular case expires on June 30 of this year. It is essential to the national security that it be continued, and that the acreage in abacá be expanded to 50,000, which requires an additional investment of \$35,000,000. To do this would strengthen the stockpile-procurement program, minimize the consequences to the national security of a further decline in Philippine production, reduce the size of our stockpile objective—because of the additional availability of a “stock-



pile in the ground" close by—and make it easier for us to rotate our abacá stockpile to prevent deterioration.

This is a practical, economical solution to the problem of obtaining enough supplies of abacá fiber for wartime. We have found no acceptable alternative. Up until now the Government-sponsored plantations in Central America have paid their own way and have proved a prudent investment for the Government.

For us to rely on Philippine production alone to satisfy the stockpile would be hazardous. With the Central American plantations closed, the Philippines would have a virtually total monopoly on world production of abacá, and there would be too many claimants against this diminished source. Apart from the uneconomic circumstance inherent in a single major source of supply is the traditional hazard of having all one's eggs in a single basket; Philippine production might at any time be gravely impaired by plant diseases, by labor or land policy, or possibly even by a serious storm. Although small in comparison with the Philippine industry, our program in Central America offers great advantages to the national security. In fact, the circumstances still prevail that led to Government interest and later sponsorship of Western Hemisphere ventures in abacá production.

Abacá is extracted from a tropical plant belonging to the banana family. The mature plant is tall and long-leaved, with 8 to 12 stalks growing in a cluster from a single root. The abacá plant usually is propagated from root stock. It takes from 2 to 3 years to reach maturity although some fiber may be harvested 18 months after planting the root stock.

A definite but "floating" relationship exists between abacá and other cordage fibers. Abacá is the strongest and most expensive of agricultural cordage fibers; sisal is about four-fifths as strong as abacá and costs somewhat less. Hennequen is still weaker and less expensive. Within limits, each of these three fibers can be substituted for the others or mixed with them. Abacá is preferred for quality uses. Sisal predominates in baler twine. Hennequen is used in the cheaper grades of cord and is better for binder twine for use in grain binders because it is stiff and ties well. The selection of abacá, sisal, or hennequen for any given use will depend on relative price and availability as well as on the particular characteristics of each fiber and the end-product specifications needed. Even if abacá production were to be expended threefold over present levels, the fiber would still remain in short supply if the price were reduced relative to the prices of other cordage fibers. Conversely, as the price of abacá rises, producers of finished cordage turn for raw material first to sisal and then to hennequen. In time of war they go on to jute and hemp, and to lesser-known fibers.

The wartime requirement of the United States for abacá is very large. The fiber has valuable properties of length, strength, durability, elasticity, cheapness, and resistance to salt water rot. No domestically produced fiber and no commercial agricultural fiber can match its combination of qualities. The best two substitutes for abacá, sisal and nylon, are each of strategic importance in their own right, and would not be available as wartime replacements for abacá. Indeed, sisal is being stockpiled, along with abacá, because of its



essential use as agricultural rope and baler twine. Among synthetic fibers, nylon is actually superior to abacá in length, strength, and elasticity, but nylon is about six times as expensive as abacá. Moreover, coarse nylon yarn would be needed in wartime up to the limit of available production for specialty purposes of its own, such as for tire fabric in military aircraft tires, for glider towlines, mountain rope, parachute shrouds and cord, and many other uses.

Abacá fiber is used in the manufacture of such essential wartime equipment as marine cable and rope, lifeboat falls, cargo netting, pioneer-troop equipment, lashings, tent rope, packs and troop gear, and the like. It is used extensively in such industries as construction—in derrick rigging and hoists—logging, farming, petroleum, well-drilling rope, and various specialized uses.

An insufficiency of abacá in wartime would be felt throughout most industries, and particularly by the military forces directly. Awkward and inferior substitutions would have to be made. Replacement of rigging and equipment would need to be made more frequently and much time would be wasted. Supply, maintenance, repair, and replacement problems of the military service would be increased. In essence, the requirement for manpower—always the ultimate limiting factor in wartime—would be increased.

During World War II, a critical shortage of hard fiber cost the United States heavily in dollars and time and manpower. The shortage was felt not only in lowered efficiency, but also in costs of programs of substitution. For example, one element of this cost was the wartime construction and operation of 42 hemp processing plants, each costing about \$282,000, and each built during a time of materials and manpower shortage. The production of hemp fiber in 1943 amounted to 141,000,000 pounds, at a fixed price of about 26 to 30 cents a pound. By comparison, the prewar New York price of abacá was, in 1939, about 5 cents a pound. In 1943, about 47,000 acres of Kentucky farmland were diverted to production of hemp seed; another 178,000 acres in 6 Mississippi Valley States, Illinois, Indiana, Iowa, Kentucky, Minnesota, and Wisconsin, were diverted to hemp although only 146,000 acres reached the point of being harvested. Almost twice as much farm labor time—3½ million hours—was required for cultivation of the hemp as for the corn and soybeans it replaced. And hemp fiber is distinctly inferior to abacá in every respect for marine cordage.

The scarcity of good grade cordage fiber during World War II would have been much more serious had not steps been underway for more than a decade before the war to meet the shortage. Fortunately, the successful introduction of abacá into Panama from the Philippine Islands had been accomplished by Dr. Harry T. Edwards of the United States Department of Agriculture in 1925. Research and investigations were then undertaken to develop strains of abacá suitable for Western Hemisphere cultivation on a large scale. There were two objectives of this project: to find an alternative crop to grow on banana land, and to develop an alternative source for abacá closer to the United States than the Philippine Islands. By 1937, plantings of abacá in Panama were increased to 1,000 acres. By 1940, 2,000 acres of abacá were under cultivation. In January 1942, the Federal Government contracted for the planting of 20,000 acres in Central America.

In consequence of the pioneer work of the Department of Agriculture, and the foresight of many persons in and out of the Government, it was possible to obtain 2,800,000 pounds of abacá from this source in 1943, 11,400,000 pounds in 1944, and 21,900,000 pounds in 1945. Under pressure of wartime need, abacá stocks were thus available for high priority military and industrial uses. Blends of abacá with sisal, hennequen, hemp, and jute were also used to extend and stretch our meager resources of cordage for countless military, industrial, and agricultural purposes in the United States.

A chronic world shortage of abacá has existed ever since the close of World War II. The shortage is certain to continue for at least 5 years, and probably for much longer than that. The prospect is that production during the present year will barely exceed one-third of prewar levels.

*World production of abacá, selected years*

[Figures in millions of pounds]

1934-38 (average)-----	427.0
1947-----	258.2
1948-----	208.3
1949 (preliminary)-----	181.0
1950 (forecast)-----	157.0

World abacá production averaged 427,000,000 pounds a year during the period 1934-38. Since the war, production has been far below that average. In particular, production of abacá in the Philippines has declined and this source prior to the war had accounted for 95 to 98 percent—415,000,000 pounds average 1934-38—of world production.

There are five principal reasons for the decline in production of abacá in the Philippines. First, the abacá plantations in the Islands were neglected during the war. Second, the high price of abacá in the immediate postwar years led to over-cutting and butcher-harvesting of large plantations acreages recovered from the Japanese. The price of abacá, delivered to New York in cents per pound, averaged 7.8 during the years 1934 to 1938, but in 1946 the price had risen to 13.9 and in 1947 to 24.2. Third, the rate of new plantings was not sustained at the level necessary to maintain production at prewar levels. Fourth, several virus diseases—"bunchy-top" in Borneo and mosaic in the Philippines—appear to have infected even new plantings; the option before plantation operators is to burn all root stock and start fresh with entirely new plantings, or to continue present operations with progressively declining output as the infection becomes more intensified. Fifth, large abacá plantations in the Philippines were developed by the Japanese before and during the war; these were sequestered and subsequently, in accordance with national land policies, subdivided into smaller units for subsistence farming.

The most important element in the Philippine abacá slump appears to be the last named. Although Japanese plantations before the war amounted to 28 percent of all Philippine acreages devoted to the raising of hard fibers, these plantations produced 55.8 percent of the total value of all hard fiber produced by the Philippines. These acreages, amounting to 142,000 in all, have largely been turned over to veterans and guerrillas of the war. The consequence has been a lowered efficiency of abacá production on some acreages and elsewhere an actual shift to subsistence crops, such as corn.

The Government of the Philippine Republic has repeatedly indicated its concern over the low level of abacá production since the war. A variety of expedients have been attempted without apparent success. However, one new development early in 1950 is widely considered a promising start toward restoration of large-scale production. A contract has been negotiated between the Philippine Republic and a Filipino citizen, to bring 17,500 acres of land into abacá production within 30 months. Whether this is to be an isolated instance or the first of a number of such contracts remains to be seen. However, even in the Philippines where there is a natural advantage in the production of abacá, the aftermath of World War II has meant uncertainty, inability to obtain investment capital, and other hazards. Businessmen have been slow to respond to the stimulus, already in effect for 5 years, of the highest abacá prices in history. Today's Philippine abacá acreages are not precisely known, but they are assuredly small compared with the 728,750 acres, a minimum figure, under abacá cultivation in 1937. There is ample scope for expansion, particularly in view of the cushion afforded by the present and prospective high price of abacá.

The authority for continued Government sponsorship of abacá plantations in Central America after the cessation of hostilities was given to the Reconstruction Finance Corporation by the Director of War Mobilization and Reconversion. This authority has now expired, and a very temporary interim arrangement has been agreed to, pending a decision by the Congress as to the desirability of continuing such a national security provision. The total investment of the Federal Government in these plantations is \$40,000,000, of which \$27,000,000 has already been recovered through sales. A net, unliquidated investment of \$13,000,000 remains—value of equipment remaining and butchering could bring us out now.

Production on the plantations has been adversely affected during the period 1947 to 1949 by overharvesting that took place during the last year of the war. Certain other circumstances, e. g., a labor shortage situation in Panama, a series of floods in Costa Rica, drought in Honduras, and plant diseases and pests in all the plantations, have caused declines in production. Uncertainty as to the ultimate disposition of the plantations has proved a most adverse influence. New plantings have not been kept up. The acreages under cultivation have shrunk from 28,000 to 25,000. Cultivation and management policies lack the orientation of time. From the managerial point of view that is a painful and waste-provoking deficiency.

The plantations are operated by an American fruit company for the RFC. The land under cultivation is the property of the fruit company. The company has an option in its present contract to take approximately 10,000 acres out of abacá cultivation and use them for other purposes. That would leave only 15,000 acres under Government sponsorship. No provision has been made for replacement of 10,000 acres, and no provision can be made without further authorization by the Congress.

The legislation we are here to support would give the President or his deputy for 10 years authority to contract for a maximum of 50,000 acres of abacá in the Western Hemisphere, and to invest in this enterprise a maximum of \$35,000,000 in addition to present Government investment in abacá production. This authority is in the interest of the



national security. Unless the Federal Government is to take this action, it will not be taken at all. It is not an attractive commercial proposition for at least five reasons:

(1) The usual hazards inherent in tropical agriculture such as crop failure, flood, extreme climatic change, etc.

(2) The unusual sensitivity of abacá to disease.

(3) The scarcity of the specialized technical knowledge and experience necessary for the operation of large-scale abacá plantations.

(4) The difficulty of obtaining risk capital for an international investment, whose earliest earnings will not come for 2 years or more after the investment is placed.

(5) The amount of capital required for efficient operation in the Western Hemisphere, where plantations must support mass-production processing, and where investment is on the order of \$1,000 an acre.

The proposed bill would authorize sponsorship of up to a maximum of 50,000 acres of abacá. This is a rounded figure. It involves approximations, compromises, and assumptions.

Estimates of the essential wartime requirements of the United States for abacá in an emergency are one element of this acreage determination.

A second element is the estimation of available supplies of abacá that would be available in time of war, with which to meet the Nation's essential requirements.

It is evident that there would be a deficit of supplies to meet requirements. This estimated deficit can be wiped out in two ways: by stockpiling and by arranging for sources of supply that would be available in time of war. Obviously, the more abacá that can be imported in wartime from a nearby area the less that would need to be stockpiled.

However, it would be expensive, and needlessly ambitious for the United States to sponsor indefinitely a production source that could meet all wartime needs. Conversely, it would not be possible to stockpile the full wartime requirement. For one thing, the quantity of abacá that would need to be stockpiled in the absence of any other wartime source of supply is so large that it is unobtainable. Moreover, rotation of that quantity of fiber would be a physical impossibility.

Accordingly, a balance must be struck between stockpiling and establishing Western Hemisphere sources of supply. These sources would be available not only in time of emergency but also to supply the stockpile during the current and prospective period of shortage.

Other considerations are: The time required to get the new plantations into production, and also the ultimate yield to be expected per acre—present acreages range in production from about 1,000 to 1,500; the most efficient are in Guatemala and currently average 1,546 pounds per acre per year.

Finally, there should be some leeway, a margin of safety, to cover the risks and uncertainties of tropical agriculture. In short, we recommend 50,000 acres of abacá not as an absolutely precise figure but as the best estimate of which we are capable. This figure has been concurred in by the National Security Resources Board, the Bureau of the Budget, the Inter-agency Fibers Committee, the Industry Advisory Fibers Committee, the Interdepartmental Stockpile Committee, and the Munitions Board.



It might be contended that the bill should be broader in scope, to provide for expansion of abacá production not only in the Western Hemisphere but elsewhere. I should like to state emphatically that we want Philippine abacá for United States industry and for the stockpile, for peace and war. The Philippines are the largest single source of supply. But what we ask in this bill today is strictly a matter of our own national security. Compared with the Philippine industry, it is relatively small; i. e., a last-ditch reserve of 50,000 acres of abacá close by to the United States and reasonably available to us in time of future emergency. This is a single specific proposal. In our view it need not prejudice nor preclude any other abacá program for national defense.

Other projects if found necessary should be introduced separately to the Congress for specific authorization and appropriation of funds.

Mr. DURHAM. That concludes your statement, General?

General QUINTON. Yes, sir: that concludes my statement.

Mr. DURHAM. I noticed a few places where I have questions. The total investment of the Federal Government was \$40,000,000. Out of that we recovered \$27,000,000.

General QUINTON. Yes, sir.

Mr. DURHAM. And we are still out \$13,000,000?

General QUINTON. If you will permit Mr. Schieck of the RFC to answer that, Mr. Chairman, it would be preferable, as he has entered into these contracts and knows the recovery from our investment, the remaining value in our equipment there, and what could be recovered if we had to butcher the crop and sell it on the market.

#### STATEMENT OF DeWITT SCHIECK, RECONSTRUCTION FINANCE CORPORATION

Mr. SCHIECK. My name is DeWitt Schieck, RFC.

That figure which the General just gave you was last month's figure. The figure today is a total investment of approximately \$42,000,000, and a recovery of \$30,000,000, leaving approximately \$12,000,000 yet unrecovered. And we are carrying our equipment and buildings and so forth on a depreciated basis, which at this point is approximately \$5,000,000 on our books.

We figure that the growing crops, if butchered over the period of the next 12 or 15 months—

Mr. DURHAM. What do you mean by "butchered"?

Mr. SCHIECK. Cut down and processed.

Mr. DURHAM. You mean cut before it should be cut?

Mr. SCHIECK. Yes, sir.

Mr. DURHAM. Harvesting?

Mr. SCHIECK. Without waiting for the maturity. These are perennial plants, and the stalks mature over a cycle, once you have established a plantation, the harvesting cycle is every 6 weeks, that is the period in which the mature stalks are cut. To perform a butchering all the stalks cut or harvested, that can be processed in the decorticating factory.

Mr. DURHAM. I notice in the general statement there has been harvesting earlier than should have been which has affected the production.

Now, what kind of a contract is there? Do we have any control?

Are they permitted to go in and cut all they want to? If the price jumps up they can go in and butcher it?

Mr. SCHIECK. No, sir; that probably was done upon our instructions. At the close of the war we were desperately short of fiber. We had to get industry started and going again. This was at the close of the war, so we authorized the United Fruit Co. to cut down all usable stalks they could find on several of the plantations and process it. We had to have the fiber. We were down at the bottom of the barrel. We did that knowing it would cause damage.

Mr. DURHAM. You permitted it?

Mr. SCHIECK. Yes, sir; at no profit to the fruit company. The fruit company, all through the program from the inception, and through the war to 1948, operated this program for us under a contract which provided we would merely pay the cost incurred by the fruit company in such operation. They did not get a fee nor any profit out of this war program until December 31, 1948, when the contract expired. We negotiated a new contract which now provides for a fee.

Mr. DURHAM. You have not got a copy of that contract you can put in the record?

Mr. SCHIECK. Yes, sir. I do not believe we have it with us, but we can get one in the record.

Mr. DURHAM. That is your future contract.

Mr. SCHIECK. Yes, sir.

Mr. DURHAM. I would like that to go in the record, if there is no objection to it.

(The contract referred to is as follows:)

#### ABACÁ MANAGEMENT CONTRACT

##### PANAMA AND GUATEMALA

This AGREEMENT made this 6th day of June 1949, between RECONSTRUCTION FINANCE CORPORATION (a United States Government corporation), hereinafter called "RFC", and UNITED FRUIT COMPANY (a New Jersey corporation), hereinafter called "Fruit Company";

##### WITNESSETH:

WHEREAS the Fruit Company has developed and operated for the account of the RFC abacá plantations on the lands of the Fruit Company in the Republics of Panama and Guatemala under the following agreements:

(A) Panama and Costa Rica Planting and Cultivating Agreement dated January 3, 1942 (January 30, 1942, indicated as date of execution) between United Fruit Company and Defense Supplies Corporation.

(B) Panama Processing Agreement dated January 3, 1942 (February 9, 1942, indicated as the date of execution) between United Fruit Company and Defense Supplies Corporation.

(C) Panama Processing Contract No. 2 dated September 8, 1942, between United Fruit Company and Defense Supplies Corporation.

(D) Guatemala Abacá Cultivating and Processing Agreement dated September 11, 1942, between United Fruit Company and Defense Supplies Corporation. All of said contracts having been transferred from Defense Supplies Corporation to U. S. Commercial Company and by U. S. Commercial Company to RFC; and

WHEREAS some 6,225 acres of abacá cultivations remain on the lands of the Fruit Company in Panama and 5,304 acres of such cultivations on lands owned and leased by the Fruit Company in Guatemala, together with processing plants and other facilities (hereinafter sometimes called the "projects"); and

WHEREAS the contracts above described have expired, and RFC is desirous of having the Fruit Company operate the said projects for the account of RFC for a further period, and the Fruit Company is willing to undertake such management and operation on the terms and conditions hereinafter expressed;

NOW THEREFORE in consideration of the premises and of the mutual promises

hereinafter contained, the parties have agreed and contracted with each other as follows:

1. *Management of the projects.*—(a) The Fruit Company shall manage and operate the abacá cultivations, plants and properties developed by the parties in Panama and Guatemala under the afore-mentioned contracts, said management and operation to be subject to the direction and for the account of RFC. The Fruit Company will have charge of the maintenance of cultivations, the harvesting of crops, the operation of processing plants and other facilities and shall do all other things incidental to the proper operation of the business. The Fruit Company shall assign to the projects sufficient of its managerial, supervisory and technical personnel to permit effective management and shall use its best efforts to provide additional personnel and labor as required for efficient operation.

(b) The Fruit Company shall exercise such management, care and control of the projects and all the property and operations thereof as would reasonably be expected of a prudent owner, shall to the extent reasonably possible keep the same in good order and state of repair, and shall not commit nor suffer any waste thereof not necessary for the performance of this agreement. Operations shall be managed and conducted at all times subject to such instructions as RFC may issue, and the Fruit Company shall confer with RFC to determine the manner of performance.

(c) The Fruit Company shall deliver to RFC as soon as practicable after execution of this agreement for RFC's approval a reasonably itemized estimate of all costs and expenditures to be incurred in the course of management of each of the projects during the year 1949 and shall deliver to RFC at least thirty days prior to commencement of each successive year a similar statement for such year.

2. *Reimbursement of costs and expenditures.*—RFC shall reimburse the Fruit Company on the basis of sworn monthly statements for all costs and expenditures properly incurred by the Fruit Company and determined on an accrual basis, in accordance with generally accepted accounting principles, in connection with the management and operation of the projects, but such reimbursement shall be subject to adjustment on the basis of audit or other verification satisfactory to RFC and also shall be subject to adjustment with RFC if, when and to the extent that any accrual items included in such reimbursement are determined to be greater or less than the amounts actually payable as expenses of the project. When costs and expenditures have been made or incurred in other than United States currency, reimbursement shall be in United States currency at rates of exchange determined in accordance with generally accepted accounting principles. The Fruit Company shall furnish statements provided for in this paragraph (separately as to each project) as soon as practicable after the close of each calendar month, and payment shall be made within thirty days after receipt of such statements by RFC. Without excluding any other proper items of costs and expenditures properly chargeable to the projects, there shall be included the following items:

(a) *Direct operating costs.*—(1) Labor cost comprising salaries and wages paid to nonsupervisory employees and laborers engaged in the work of the projects, conducted at the actual scene of operations or elsewhere in connection therewith or in relation thereto, and salaries paid to supervisory employees for the period they are engaged full time on abacá operations.

(2) All costs and expenditures incurred in recruiting, transporting, and repatriating such employees and laborers.

(3) Costs and expenditures directly incurred to provide such laborers and employees with shelter, water, sanitation, medication, and protection against accidents.

(4) Payments made by the Fruit Company for such laborers and employees for vacation pay, group insurance, retirement income, death benefits, severance pay, and temporary and permanent accident and sickness disability or Workmen's Compensation insurance, in accordance with the general practice of the Fruit Company or as required by applicable laws including specific contributions to the Retirement Trust Fund established by the Fruit Company under its Retirement and Death Benefit Plan; provided, however, that where the service taken into account in computing severance pay includes time worked for the Fruit Company on other than the abacá projects, reimbursement shall be made of only the pro rata part of the severance pay corresponding to the period worked on the abacá projects (including all time worked on such projects prior to the date of this agreement).

(5) Expenditures for fees of attorneys employed by the Fruit Company in connection with abacá work to the extent approved by RFC. No salaries of the



Fruit Company's officers shall be reimbursed, nor shall there be any reimbursement of general overhead of the Fruit Company's offices outside the countries where the projects are located but without excluding any items of direct expense incurred by such offices which are properly chargeable to the projects.

(6) Cost of disposing of any unmarketable residual products.

(7) All taxes direct or indirect levied and assessed upon land and improvements thereon used exclusively in the projects and upon machinery, equipment, materials, and supplies, purchased by the Fruit Company under this or any of the prior agreements listed above and upon the roadways, railways, tramways, motive power, rolling stock, telephone lines, warehouses, and house constructed pursuant to this agreement or of any such prior agreements and upon the processing plant or on account of the operations thereof and upon the production, transportation, or exportation of fiber.

(8) With respect to the Guatemala project all rentals paid by the Fruit Company to the Guatemala Government for the use of land planted to abacá or otherwise used pursuant to this agreement during the period of employment of such land in connection with the project.

(9) Where tools and equipment, machinery, and other fixed assets owned by the Fruit Company are used exclusively for the abacá project, all expenses attributable to their use including the cost of maintenance, operation and repair plus a reasonable allowance for depreciation and insurance to be determined by mutual agreement.

(10) Use of work animals of the Fruit Company at an agreed rate of \$0.35 United States currency, per day per animal, which rate shall be subject to review at any time at the request of either party.

(11) Cost of materials and supplies. Where it is necessary to purchase any items of materials and supplies outside of the country of operations, the cost shall include a surcharge of 3% based on FAS cost at port of shipment which the Fruit Company pays to its purchasing subsidiary, Maritrop Trading Corporation, for its services and overhead expenses in purchasing the items and preparing the necessary shipping documents. For materials and supplies furnished by the Fruit Company and included in cost of operations the replacement cost thereof, plus a surcharge of 10% to cover the cost of storage and handling in warehouse.

(b) *Other operating costs.*—The Fruit Company agrees to make its existing facilities at or near Almirante, Panama, and Bananera, Guatemala, as well as its engineering, accounting, and supervisory personnel at such places available for use in carrying on operations hereunder, but not to the exclusion of the Fruit Company in the use of such facilities and personnel for the Fruit Company's own business. The amount which RFC shall pay for such joint use shall be a pro rata part of the overhead expense determined in accordance with the terms of the report prepared by Peat, Marwick, Mitchell & Co., dated February 9, 1949, addressed Board of Directors, RFC and Mr. Louis S. Sisto, Comptroller, United Fruit Company, and entitled "Bases of Allocation, Recommended for Distribution of Overhead Expenses Between Abacá Projects and United Fruit Company Operations," which is attached hereto as Schedule A and made a part of this agreement, but it is agreed that said bases of allocation shall be subject to review at any time at the request of either party. The Fruit Company shall deliver to RFC as soon as practicable, for RFC's approval, a reasonably itemized estimate of the amount chargeable to RFC for each project pursuant to said Schedule A for the year 1949 and shall deliver to RFC at least thirty days prior to the commencement of each successive year similar estimates relating to such year. RFC shall advance to the Fruit Company the amount of such estimates in equal monthly installments except that in lieu of such installments for the last month of each calendar year, adjustment and settlement shall be made on the basis of the final determination of RFC's liability for the calendar year in accordance with said Schedule A.

(c) *Capital expenditures.*—All costs and expenditures of a capital nature. In determining such costs and expenditures, the provisions of paragraph 2 (a) hereof shall govern insofar as applicable. Capital expenditures for machinery and equipment and other fixed assets furnished by the Fruit Company and actually incorporated in the projects will be paid for at the reasonable value thereof to be arrived at by agreement between the parties. For materials and supplies furnished by the Fruit Company and wholly incorporated in a permanent improvement constructed and used as a part of the project, the replacement cost thereof shall be paid to the Fruit Company plus a surcharge of 10% to cover the cost of storage and handling in warehouse. The Fruit Company shall not without RFC's prior written approval make any purchase or lease or



other commitment or undertake any improvement involving a sum in excess of \$1,000 or involving a period of commitment in excess of six months; however, written approvals remaining outstanding under any of the prior agreements listed above shall be deemed approvals hereunder until withdrawn or limited by RFC.

3. *Management fees.*—(a) RFC shall pay to the Fruit Company for its services in managing the projects management fees per calendar year equal to 15% of the annual net earnings of each project, but said fees for each project shall in no event be less than an amount equal to \$1.00 per month per acre for the actual acreage under cultivation (including acreage cleared and ready for planting) at the beginning of each month.

(b) Net earnings for the purpose of calculating the management fees shall be computed annually and shall be deemed to be the amount by which (1) the receipts from the sale of abacá and other products produced by the projects in each calendar year minus all expenses incurred for freight, insurance premiums, handling, weighing, storing, claims payments, and all other proper expenses to reduce such receipts to an FAS basis, point of shipment (but not including any overhead expense of RFC's offices in Washington or elsewhere, or the salaries of RFC's employees) exceed (2) the direct and other operating costs and expenditures of the projects during the said calendar year as hereinbefore defined (but not including any charge for depreciation or obsolescence, losses of fixed property or interest on RFC's investment in the projects). If any fiber is transferred by RFC to any United States governmental departments or agencies for stockpiling or other uses, or if RFC shall undertake itself to store any fiber for stockpile purposes or for other than market reasons, such fiber shall for the purposes of this paragraph be considered sold at the weighted average price received from the last sale of any Central American abacá of corresponding grade previous to the date of the transfer commitment or previous to the date of RFC's consignment of the fiber to storage for stockpiling for other than market reasons.

(c) RFC will furnish the Fruit Company as soon as possible after each sale is consummated or after any sale is deemed to have been made as provided in paragraph 3 (b) hereof, with a statement of such sale, and as soon as possible after the end of each month will furnish the Fruit Company with a summary of all such sales together with the expenses chargeable against sales in accordance with paragraph 3 (b) hereof. The Fruit Company will bill RFC monthly for the minimum amount of management fees which RFC is obligated to pay under the provisions of paragraph 3 (a) hereof, and RFC will pay said bills within thirty days after receipt of voucher. As soon as reasonably possible after all fiber produced during the year has been sold or deemed to have been sold, the Fruit Company will prepare a statement of the profit of each project for such year calculated as hereinabove provided and showing the amount of the management fee calculated at 15% of such profit. If the amount of the management fee so calculated should exceed the minimum fee provided in paragraph 3 (a) hereof, RFC will pay to the Fruit Company the amount of such difference within sixty days after receipt of statement. Such statement shall be subject to audit and verification by RFC, and the Fruit Company shall at all times be afforded proper facilities for auditing and verifying RFC's sales records.

(d) For the purposes of this paragraph 3, fiber shall be deemed to be produced on the date it is baled and neither the proceeds of sale of fiber produced prior to January 1, 1949, nor the expenses chargeable against such sales shall be considered in determining net earnings.

4. *Interim payments.*—The Fruit Company may bill RFC periodically but not more often than once each week and in form satisfactory to RFC for the estimated amount of costs and expenditures incurred under paragraph 2 and the fees earned under paragraph 3 for the period covered by the estimated billing, and RFC will pay such bills promptly upon presentation. Interim payments made pursuant to such billing shall be shown as credits on the Fruit Company's monthly statements rendered pursuant to said paragraphs.

5. *Accounting, records and reports.*—The Fruit Company shall keep accurate and complete records and books of account in accordance with generally accepted accounting principles, showing all costs and expenditures of whatever nature in connection with each project. The books of account shall distinguish current and operating expenses on the one hand and capital investment on the other hand. No material change will be made in the Fruit Company's present method of accounting without the approval of RFC. So far as practicable, the Fruit Company shall maintain a complete separate system of accounts for each project.

The Fruit Company shall furnish RFC with copies or adequate summaries of such records and books of account at such times as RFC shall determine and shall furnish such other information concerning the projects and operations herein outlined as RFC shall from time to time request. RFC shall at all times be afforded proper facilities for inspection and supervision of the projects and operations herein outlined and shall at all times have access to the premises, facilities, work, and materials, and to all books, records, correspondence, instructions, plans, drawings, receipts, vouchers, and memoranda of every description of the Fruit Company pertaining to said projects and work; and the Fruit Company shall preserve all such books, records, documents, and papers, provided, however, that if the Fruit Company at any time after the expiration of six months following termination of this agreement desires to dispose of said papers it shall so notify RFC, and if RFC so desires, said papers will be turned over to RFC for disposition, and any of said papers which RFC does not wish to receive may be disposed of as the Fruit Company may see fit.

The Fruit Company shall keep full, precise and accurate records of scientific and technical knowledge acquired in the course of operations hereunder which may be examined or copied by RFC at any time. Upon request of RFC, the United Fruit Company shall from time to time provide reasonable instructions to persons named by RFC in the best methods for the production of abacá fiber.

6. *Force majeure.*—The Fruit Company shall not be liable for loss, damage, or delay caused by or due to any act of God, war, mobilization, the operation of any present or future laws, regulations, orders, interventions, seizures, requisitions or inspections of any governmental, political, military, or naval authority (whether or not recognized by the United States of America or the country where the project is located), strikes, slow-downs, sitdowns, or other stoppage of work, labor disturbances, fire, pestilence and/or riots occurring in the country where the project is located, or civil commotion or cancellation or suspension of the operation of the transportation facilities or other causes beyond the Fruit Company's control. The Fruit Company shall notify RFC promptly of the existence and nature of any of the circumstances mentioned above.

7. *Settlement of disputes.*—In case of any disagreement between RFC and the Fruit Company as to any term or provision of, or any right, obligation or liability under this agreement, the parties shall make an earnest effort to settle such disagreement to their mutual satisfaction. If such effort be unsuccessful, then either party may cause such disagreement to be submitted for determination by an umpire by giving the other party a notice in writing or by telegraph to that effect. If, within 10 days thereafter, the parties are unable to agree upon an umpire, he shall be appointed by the senior judge of the United States Circuit Court of Appeals for the Second Circuit or, if he is not available, by the acting presiding judge of such Court, upon application of either party after reasonable notice thereof to the other. The decision of the umpire shall be final and binding on the parties for all purposes. The fees and expenses of the umpire shall be paid by the unsuccessful party unless the umpire directs otherwise, and then as the umpire may direct; provided that such fees and expenses resulting from determinations made by the umpire pursuant to the provisions of paragraphs 9 and 10 hereof shall be shared equally by the parties.

8. *Duration of agreement.*—This agreement shall be effective as of January 1, 1949, and will continue in effect for a period of five years thereafter or until December 31, 1953, unless sooner terminated as hereinafter provided.

RFC shall have the right at any time, with or without cause, upon not less than thirty days' notice in writing, to terminate this agreement, in its entirety or only with respect to a particular project. In the event that RFC shall have defaulted hereunder by failing to pay to the Fruit Company the sums provided for in paragraphs 2 and 3 hereof within the stipulated time, the Fruit Company shall have the right, upon not less than thirty days' notice in writing, to terminate this agreement with respect to the project or projects involved in the default; provided that RFC may cure such default and thereby invalidate such notice by making payment at any time before the effective date thereof, and provided also that if RFC shall disagree as to the sums due, the right of Fruit Company to terminate upon such notice shall not arise until thirty days after the decision that such sums or portions thereof are due shall have been made as provided in paragraph 7 hereof for the settlement of disputes, and then only if such sums still remain unpaid.

9. *Option rights.*—(a) Promptly upon expiration or any sooner termination of this agreement with respect to a particular project, RFC and Fruit Company shall confer for the purposes of determining by agreement (i) the fair value of



the project as a whole including the cultivations, installations, and other properties and facilities furnished and paid for by RFC and the installations and other properties and facilities furnished by the Fruit Company and used exclusively in the project, including the underlying land and easements as hereinafter defined and (ii) the portion of said fair value to be assigned to the interest of each of the parties, and if such agreement be not reached within ninety days after such expiration or termination the determination of such values shall be made by an umpire appointed as provided in paragraph 7 hereof. "Underlying land," as used herein, shall mean the land of the Fruit Company on which the abacá cultivations, installations, and other properties and facilities of the project (including those of the Fruit Company used exclusively in the project) are located, and such additional areas adjacent thereto as may be necessary for the proper operation of the project. "Easements," as used herein, shall mean rights-of-way over other lands of the Fruit Company upon which roadways, tramways, railways, canals, water lines, and telephone lines of the project are located.

The Fruit Company shall have an option within 120 days after the determination of the values as hereinbefore provided to retain the project free from any interest therein on the part of RFC at a price equal to the portion of the fair value of the project assigned to RFC's interest therein as above provided. The Fruit Company shall notify RFC in writing within the said one hundred and twenty days whether or not it exercises the option, and if the option is exercised, RFC shall within thirty days after the receipt of such notice execute such document or documents as may be necessary to vest in the Fruit Company full title to the project. Coincident with the execution of such document or documents, the Fruit Company shall make payment of the price in cash to RFC.

If the Fruit Company does not exercise such option within the said period, then RFC shall have the option within a period of one hundred and twenty days counted from the date of the notice to such effect from the Fruit Company (or if notice is not given, from the expiration of the period allowed for such notice) to direct the transfer of the Fruit Company's interest in the project to any person, firm, corporation, or association at a price equal to the portion of the fair value of the project assigned to the Fruit Company's interest therein as above provided. If RFC within such period notifies the Fruit Company of its desire to exercise the option, the Fruit Company shall within a period of sixty days following the receipt of such notice execute such document or documents as may be necessary to transfer all its right, title, and interest in the project to the person, firm, corporation, or association designated by RFC including conveyance of the underlying land and easements. Such easements shall be only for use in the operation of the abacá project and shall endure so long as their use for such purpose shall not have been abandoned for a period of one year. It is understood that a portion (approximately 350 acres) of the underlying land and easements of the Guatemala project is leased by the Fruit Company from the Government of Guatemala, and that rights under such lease cannot be assigned without the consent of the Government of Guatemala. Therefore, if RFC exercises its option to purchase the interest of the Fruit Company, the Fruit Company will endeavor to secure the consent of the Government of Guatemala to a transfer to the designee of RFC of the rights of the Company under such lease insofar as it relates to said lands and easements, and the obligation of the Fruit Company to make such transfer shall be on the condition that such consent be obtained.

Coincident with the execution of such document or documents, RFC will pay to the Fruit Company the price in cash.

(b) If neither party exercises the option within the period allowed therefor, the project shall be liquidated in accordance with the following procedure:

(1) All of the standing abacá which is considered suitable for the production of fiber will immediately be butch harvested for the account of RFC.

(2) The Fruit Company shall have the option to purchase any equipment, machinery, buildings, rail lines, or other improvements on the property which it can utilize in its business other than abacá operations and which the RFC does not wish to utilize elsewhere, at a price equal to the cost of the equipment, machinery, buildings, rail lines, or other improvements, less a reasonable allowance (without regard to book figures) for depreciation and obsolescence. If the parties cannot agree on the amount of depreciation and obsolescence, the determination shall be made by the umpire appointed in the manner provided in paragraph 7 hereof.

(3) RFC shall have the right for its own account to remove from the land and dispose of all equipment, machinery, buildings, or other improvements placed on the land for its account which are not purchased by the Fruit Company pursuant to paragraph 9 (b) (2) hereof. RFC shall have a period of one year within which to effect such removal.

(4) Upon the expiration of the period allowed for the removal of improvements by RFC, the underlying lands, as well as the lands over which rights-of-way have been established shall be retained by the Fruit Company free of any claims by RFC, and any improvements remaining on the lands of the Fruit Company at the conclusion of said period shall vest in the Fruit Company free of any claims by RFC.

The provisions of this paragraph are without prejudice to the rights of the Fruit Company with respect to the Panama project under the provisions of paragraph 10 hereof.

10. *Additional option rights—Panama project.*—(a) On or after December 31, 1949, but before July 1, 1951, the Fruit Company may give written notice to RFC that the Fruit Company desires to terminate this contract with respect to the Panama project because of its intention to convert all the underlying lands to the use of the Fruit Company for growing crops other than abacá. In case such notice is given, the agreement with respect to said project shall terminate upon the expiration of thirty months after the date of such notice.

(b) Upon the termination of the agreement with respect to the Panama project pursuant to paragraph 10 (a) hereof, or by notice given by RFC pursuant to paragraph 8 hereof, the Panama project shall be liquidated in accordance with the procedure set forth in paragraph 9 (b) of this agreement, except that if the termination should be made by notice given pursuant to paragraph 10 (a) hereof, the butcher harvesting shall be completed by the effective date of termination resulting from such notice.

11. *Operation during liquidation.*—It is understood that the Fruit Company will continue to operate the projects for the account of RFC as long as any options provided in paragraph 9 hereof are outstanding and that the said Company will be entitled to the management fee stipulated in paragraph 3 for the period of such operation. If any project is liquidated in accordance with paragraphs 9 (b) or 10 (b) hereof, the Fruit Company will be entitled to receive the management fee until the butcher harvesting has been completed. The proceeds of sale of the fiber produced from butcher harvesting as well as the expenses chargeable against such sales and such butcher harvest shall be included in computing the management fee.

12. *Cancellation of previous options.*—Paragraph 5 (A) of the Panama and Costa Rica Planting and Cultivating Agreement of January 3, 1942, paragraph IX of the Panama Processing Contract No. 2 dated September 8, 1942, and Part V of the Guatemala Abacá Cultivating and Processing Agreement dated September 11, 1942, granting certain options to the respective parties are hereby cancelled and rescinded.

13. *Severance pay upon termination of agreement.*—If upon the expiration or termination of this agreement either as a whole or with respect to one project, the Fruit Company continues in its other business the employment of employees who have been engaged in work on the abacá project or projects, the amount of the contingent liability of RFC for severance pay corresponding to the period worked by such employees on the abacá projects will be arrived at by agreement, or if no agreement is reached, by actuarial computation, and the amount sufficient to cover such liability will be paid to the Fruit Company and for the purpose of determining net earnings, as provided in paragraph 3, shall be included as an item of operating expense.

14. All notices of every nature to be given pursuant to this agreement may be addressed, if to the RFC, to "Reconstruction Finance Corporation, 811 Vermont Avenue NW., Washington 25, D. C.," or if to the Fruit Company to "United Fruit Company, 80 Federal Street, Boston 10, Massachusetts," or as to either party addressed as may from time to time be otherwise directed in advance by such party. Any notice shall be deemed to have been duly given if and when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, registered and deposited, postage and registry fee prepaid, in a post office regularly maintained by the United States Government.

15. The failure of either party hereto to insist, in any one or more instances, upon performance of any of the terms, covenants, or conditions of this agreement, shall not be construed as a waiver or a relinquishment of the future performance of any such term, covenant, or condition by the other party hereto, but the



obligation of such other party with respect to such performance shall continue in full force and effect.

16. No member of or delegate to the Congress of the United States of America shall be admitted to any share or part of this Agreement or to any benefit arising therefrom, but this provision shall not be construed to extend to this contract if made for a corporation for its general benefit.

17. This agreement shall be deemed to have been made in the State of New York and shall be governed by the laws of that State.

18. This agreement is binding upon and shall inure to the benefit of the successors and assigns of the respective parties hereto, provided, however, that neither party shall have the right to assign this agreement except as otherwise herein provided or with the written consent of the other party or in connection with and as a part of the merger, consolidation or reorganization of either party, and provided further that RFC may designate other corporations or agencies to exercise any right, power, privilege or function granted it by this agreement or applicable to provisions of law, and provided further that RFC may assign to any other agency, instrumentality or wholly owned corporation of the United States Government.

IN TESTIMONY WHEREOF, the parties have caused this instrument to be executed in four (4) counterparts on behalf of each of them by their duly authorized officers.

UNITED FRUIT COMPANY,  
By A. A. POLLAN,

*Executive Vice President.*

Attest:

ARTHUR E. NICHOLSON, *Secretary.*

RECONSTRUCTION FINANCE CORPORATION.  
By DEWITT C. SCHIECK,  
*Manager, Office of Production.*

Attest:

LEO NEILSON, *Secretary.*

COSTA RICA

THIS AGREEMENT made this 6th day of June, 1949, between RECONSTRUCTION FINANCE CORPORATION, a United States Government Corporation (hereinafter called "RFC") and COMPANIA BANANERA DE COSTA RICA, a Delaware Corporation (hereinafter called the "Company");

WITNESSETH: WHEREAS the Company has developed and operated for the account of RFC abacá plantations on the lands of the Company in Costa Rica under the following agreements:

(A) Panama and Costa Rica Planting and Cultivating Agreement dated January 3, 1942 (January 30, 1942, indicated as date of execution) between United Fruit Company and Defense Supplies Corporation; and

(B) Costa Rica Abacá Processing Contract dated August 21, 1942, between Compania Bananera de Costa Rica, Defense Supplies Corporation and United Fruit Company,

both of said contracts having been transferred from Defense Supplies Corporation to U. S. Commercial Company and by U. S. Commercial Company to RFC; and

WHEREAS some 10,063 acres of abacá cultivations remain on the lands of the Company in Costa Rica, together with processing plants and other facilities (herein sometimes called the "project"); and

WHEREAS the contracts above described have expired, and RFC is desirous of having the Company operate the said project for the account of RFC for a further period, and the Company is willing to undertake such management and operation on the terms and conditions hereinafter expressed;

NOW THEREFORE in consideration of the premises and of the mutual promises hereinafter contained, the parties have agreed and contracted with each other as follows:

1. *Management of the project.*—(a) The Company shall manage and operate the abacá cultivations, plants and properties developed by the parties in Costa Rica under the afore-mentioned contracts, said management and operation to be subject to the direction and for the account of RFC. The Company will have charge of the maintenance of cultivations, the harvesting of crops, the operation of processing plants and other facilities and shall do all other things incidental to the proper operation of the business. The Company shall assign to the project sufficient of its managerial, supervisory and technical personnel to

permit effective management and shall use its best efforts to provide additional personnel and labor as required for efficient operation.

(b) The Company shall exercise such management, care and control of the project and all the property and operations thereof as would reasonably be expected of a prudent owner, shall to the extent reasonably possible keep the same in good order and state of repair, and shall not commit nor suffer any waste thereof not necessary for the performance of this agreement. Operations shall be managed and conducted at all times subject to such instructions as RFC may issue, and the Company shall confer with RFC to determine the manner of performance.

(c) The Company shall deliver to RFC as soon as practicable after execution of this agreement for RFC's approval a reasonably itemized estimate of all costs and expenditures to be incurred in the course of management of the project during the year 1949 and shall deliver to RFC at least thirty days prior to commencement of each successive year a similar statement for such year.

2. *Reimbursement of costs and expenditures.*—RFC shall reimburse the Company on the basis of sworn monthly statements for all costs and expenditures properly incurred by the Company and determined on an accrual basis, in accordance with generally accepted accounting principles, in connection with the management and operation of the project, but such reimbursement shall be subject to adjustment on the basis of audit or other verification satisfactory to RFC and also shall be subject to adjustment with RFC if, when and to the extent that any accrual items included in such reimbursement are determined to be greater or less than the amounts actually payable as expenses of the project. When costs and expenditures have been made or incurred in other than United States currency, reimbursement shall be in United States currency at rates of exchange determined in accordance with generally accepted accounting principles. The Company shall furnish statements provided for in this paragraph as soon as practicable after the close of each calendar month, and payment shall be made within thirty days after receipt of such statements by RFC. Without excluding any other proper items of costs and expenditures properly chargeable to the project, there shall be included the following items:

(a) *Direct operating costs.*—(1) Labor cost comprising salaries and wages paid to nonsupervisory employees and laborers engaged in the work of the project, conducted at the actual scene of operations or elsewhere in connection therewith or in relation thereto, and salaries paid to supervisory employees for the period they are engaged full time on abacá operations.

(2) All costs and expenditures incurred in recruiting, transporting, and repatriating such employees and laborers.

(3) Costs and expenditures directly incurred to provide such laborers and employees with shelter, water, sanitation, medication and protection against accidents.

(4) Payments made by the Company for such laborers and employees for vacation pay, group insurance, retirement income, death benefits, severance pay and temporary and permanent accident and sickness disability or Workmen's Compensation insurance, in accordance with the general practice of the Company or as required by applicable laws including specific contributions to the Retirement Trust Fund established by the Company under its Retirement and Death Benefit Plan; provided, however, that where the service taken into account in computing severance pay includes time worked for the Company on other than the abacá project, reimbursement shall be made of only the pro rata part of the severance pay corresponding to the period worked on the abacá project (including all time worked on such project prior to the date of this agreement).

(5) Expenditures for fees of attorneys employed by the Company in connection with abacá work to the extent approved by RFC. No salaries of the Company's officers shall be reimbursed, nor shall there be any reimbursement of general overhead of the Company's offices outside the countries where the project is located but without excluding any items of direct expense incurred by such offices which are properly chargeable to the project.

(6) Cost of disposing of any unmarketable residual products.

(7) All taxes direct or indirect levied and assessed upon land and improvements thereon used exclusively in the project and upon machinery, equipment, materials, and supplies, purchased by the Company under this or either of the prior agreements listed above and upon the roadways, railways, tramways, motive power, rolling stock, telephone lines, warehouses, and houses constructed pursuant to this agreement or of either of said prior agreements upon and the process-



ing plant or on account of the operations thereof and upon the production, transportation, or exportation of fiber.

(8) Where tools and equipment, machinery, and other fixed assets owned by the Company are used exclusively for the abacá project, all expenses attributable to their use including the cost of maintenance, operation, and repair plus a reasonable allowance of depreciation and insurance to be determined by mutual agreement.

(9) Use of work animals of the Company at an agreed rate of \$0.35 United States currency, per day per animal, which rate shall be subject to review at any time at the request of either party.

(10) Cost of materials and supplies. Where it is necessary to purchase any items of materials and supplies outside of the country of operations, the cost shall include a surcharge of 3% based on FAS cost at port of shipment which the Company pays to its purchasing affiliate, Maritrop Trading Corporation, for its services and overhead expenses in purchasing the items and preparing the necessary shipping documents. For materials and supplies furnished by the Company and included in cost of operations the replacement cost thereof, plus a surcharge of 10% to cover the cost of storage and handling in warehouse.

(b) *Other operating costs.*—The Company agrees to make its existing facilities in Costa Rica, as well as its engineering, accounting, and supervisory personnel at such places available for use in carrying on operations hereunder, but not to the exclusion of the Company in the use of such facilities and personnel for the Company's own business. The amount which RFC shall pay for such joint use shall be a pro rata part of the overhead expense determined in accordance with the terms of the report prepared by Peat, Marwick, Mitchell & Co., dated February 9, 1949, addressed Board of Directors, RFC and Mr. Louis S. Sisto, Comptroller, United Fruit Company, and entitled "Bases of Allocation, Recommended for Distribution of Overhead Expenses Between Abacá Projects and United Fruit Company Operations," which is attached hereto as Schedule A and made a part of this agreement, but it is agreed that said bases of allocation shall be subject to review at any time at the request of either party. The Company shall deliver to RFC as soon as practicable, for RFC's approval, a reasonably itemized estimate of the amount chargeable to RFC for the project pursuant to said Schedule A for the year 1949 and shall deliver to RFC at least thirty days prior to the commencement of each successive year similar estimates relating to such year. RFC shall advance to the Company the amount of such estimates in equal monthly installments except that in lieu of such installments for the last month of each calendar year, adjustment and settlement shall be made on the basis of the final determination of RFC's liability for the calendar year in accordance with said Schedule A.

(c) *Capital expenditures.*—All costs and expenditures of a capital nature. In determining such costs and expenditures, the provisions of paragraph 2 (a) hereof shall govern insofar as applicable. Capital expenditures for machinery and equipment and other fixed assets furnished by the Company and actually incorporated in the project will be paid for at the reasonable value thereof to be arrived at by agreement between the parties. For materials and supplies furnished by the Company and wholly incorporated in a permanent improvement constructed and used as a part of the project, the replacement cost thereof shall be paid to the Company plus a surcharge of 10% to cover the cost of storage and handling in warehouse. The Company shall not without RFC's prior written approval make any purchase or lease or other commitment or undertake any improvement involving a sum in excess of \$1,000 or involving a period of commitment in excess of six months; however, written approvals remaining outstanding under any of the prior agreements listed above shall be deemed approvals hereunder until withdrawn or limited by RFC.

3. *Management fees.*—(a) RFC shall pay to the Company for its services in managing the project—management fees per calendar year equal to 15% of the annual net earnings of the project, but said fees shall in no event be less than an amount equal to \$1.00 per month per acre for the actual acreage under cultivation (including acreage cleared and ready for planting) at the beginning of each month.

(b) Net earnings for the purpose of calculating the management fees shall be computed annually and shall be deemed to be the amount by which (1) the receipts from the sale of abacá and other products produced by the project in each calendar year minus all expenses incurred for freight, insurance premiums, handling, weighing, storing, claims payments, and all other proper expenses

to reduce such receipts to an FAS basis, point of shipment (but not including any overhead expense of RFC's offices in Washington or elsewhere, or the salaries of RFC's employees) exceed (2) the direct and other operating costs and expenditures of the project during the said calendar year as hereinbefore defined (but not including any charge for depreciation or obsolescence, losses of fixed property or interest on RFC's investment in the project.) If any fiber is transferred by RFC to any United States governmental departments or agencies for stockpiling or other uses, or if RFC shall undertake itself to store any fiber for stockpile purposes or for other than market reasons, such fiber shall for the purposes of this paragraph be considered sold at the weighted average price received from the last sale of any Central American abacá of corresponding grade previous to the date of the transfer commitment or previous to the date of RFC's consignment of the fiber to storage for stockpiling for other than market reasons.

(c) RFC will furnish the Company as soon as possible after each sale is consummated, or after any sale is deemed to have been made as provided in paragraph 3 (b) hereof, with a statement of such sale, and as soon as possible after the end of each month will furnish the Company with a summary of all such sales together with the expenses chargeable against sales in accordance with paragraph 3 (b) hereof. The Company will bill RFC monthly for the minimum amount of management fees which RFC is obligated to pay under the provisions of paragraph 3 (a) hereof, and RFC will pay said bills within thirty days after receipt of voucher. As soon as reasonably possible after all fiber produced during the year has been sold or deemed to have been sold, the Company will prepare a statement of the profit of the project for such year calculated as hereinabove provided and showing the amount of the management fee calculated at 15% of such profit. If the amount of the management fee so calculated should exceed the minimum fee provided in paragraph 3 (a) hereof, RFC will pay to the Company the amount of such difference within sixty days after receipt of statement. Such statement shall be subject to audit and verification by RFC, and the Company shall at all times be afforded proper facilities for auditing and verifying RFC's sales' records.

(d) For the purposes of this paragraph 3, fiber shall be deemed to be produced on the date it is baled and neither the proceeds of the sale of fiber produced prior to January 1, 1949, nor the expenses chargeable against such sales shall be considered in determining net earnings.

4. *Interim payments.*—The Company may bill RFC periodically but not more often than once each week and in form satisfactory to RFC for the estimated amount of costs and expenditures incurred under paragraph 2 and the fees earned under paragraph 3 for the period covered by the estimated billing, and RFC will pay such bills promptly upon presentation. Interim payments made pursuant to such billings shall be shown as credits on the Company's monthly statements rendered pursuant to said paragraphs.

5. *Accounting, records, and reports.*—The Company shall keep accurate and complete records and books of account in accordance with generally accepted accounting principles, showing all costs and expenditures of whatever nature in connection with the project. The books of account shall distinguish current and operating expenses on the one hand and capital investment on the other hand. No material change will be made in the Company's present method of accounting without the approval of RFC. So far as practicable the Company shall maintain a complete separate system of accounts for the project.

The Company shall furnish RFC with copies or adequate summaries of such records and books of account at such times as RFC shall determine and shall furnish such other information concerning the project and operations herein outlined as RFC shall from time to time request. RFC shall at all times be afforded proper facilities for inspection and supervision of the project and operations herein outlined and shall at all times have access to the premises, facilities, work, and materials, and to all books, records, correspondence, instructions, plans, drawings, receipts, vouchers, and memoranda of ever description of the Company pertaining to said project and work; and the Company shall preserve all such books, records, documents, and papers, provided, however, that if the Company at any time after the expiration of six months following termination of this agreement desires to dispose of said papers it shall so notify RFC, and if RFC so desires, said papers will be turned over to RFC for disposition, and any of said papers which RFC does not wish to receive may be disposed of as the Company may see fit.

The Company shall keep full, precise and accurate records of scientific and technical knowledge acquired in the course of operations hereunder which may



be examined or copied by RFC at any time. Upon request of RFC, the Company shall from time to time provide reasonable instructions to persons named by RFC in the best methods for the production of abacá fiber.

6. *Force majeure.*—The Company shall not be liable for loss, damage or delay caused by or due to any act of God, war, mobilization, the operation of any present or future laws, regulations, orders, interventions, seizures, requisitions or inspections of any governmental, political, military or naval authority (whether or not recognized by the United States of America or the country where the project is located), strikes, slowdowns, sitdowns, or other stoppage of work, labor disturbances, fire, pestilence and/or riots occurring in the country where the project is located, or civil commotion or cancellation or suspension of the operation of the transportation facilities or other causes beyond the Company's control. The Company shall notify RFC promptly of the existence and nature of any of the circumstances mentioned above.

7. *Settlement of disputes.*—In case of any disagreement between RFC and the Company as to any term or provision of, or any right, obligation, or liability under this agreement, the parties shall make an earnest effort to settle such disagreement to their mutual satisfaction. If such effort be unsuccessful, then either party may cause such disagreement to be submitted for determination by an umpire by giving the other party a notice in writing or by telegraph to that effect. If, within 10 days thereafter, the parties are unable to agree upon an umpire, he shall be appointed by the senior judge of the United States Circuit Court of Appeals for the Second Circuit or, if he is not available, by the acting presiding judge of such Court, upon application of either party after reasonable notice thereof to the other. The decision of the umpire shall be final and binding on the parties for all purposes. The fees and expenses of the umpire shall be paid by the unsuccessful party unless the umpire directs otherwise, and then as the umpire may direct; provided that such fees and expenses resulting from determinations made by the umpire pursuant to the provisions of paragraphs 9 and 10 hereof shall be shared equally by the parties.

8. *Duration of agreement.*—This agreement shall be effective as of January 1, 1949, and will continue in effect for a period of five years thereafter or until December 31, 1953, unless sooner terminated as hereinafter provided.

RFC shall have the right at any time, with or without cause, upon not less than thirty days' notice in writing, to terminate this agreement. In the event that RFC shall have defaulted hereunder by failing to pay to the Company the sums provided for in paragraphs 2 and 3 hereof within the stipulated time, the Company shall have the right, upon not less than thirty days' notice in writing, to terminate this agreement; provided that RFC may cure such default and thereby invalidate such notice by making payment at any time before the effective date thereof, and provided also that if RFC shall disagree as to the sums due, the right of the Company to terminate upon such notice shall not arise until thirty days after the decision that such sums or portions thereof are due shall have been made as provided in paragraph 7 hereof for the settlement of disputes, and then only if such sums still remain unpaid.

9. *Option rights.*—(a) Promptly upon expiration or any sooner termination of this agreement with respect to the project, RFC and Company shall confer for the purpose of determining by agreement (i) the fair value of the project as a whole including the cultivations, installations, and other properties and facilities furnished and paid for by RFC and the installations and other properties and facilities furnished by the Company and used exclusively in the project, including the underlying land and easements as hereinafter defined and (ii) the portion of said fair value to be assigned to the interest of each of the parties, and if such agreement be not reached within ninety days after such expiration or termination the determination of such values shall be made by an umpire appointed as provided in paragraph 7 hereof. "Underlying land," as used herein, shall mean the land of the Company on which the abacá cultivations, installations, and other properties and facilities of the project (including those of the Company used exclusively in the project) are located, and such additional areas adjacent thereto as may be necessary for the proper operation of the project. "Easements," as used herein, shall mean rights-of-way over other lands of the Company upon which roadways, tramways, railways, canals, water lines, and telephone lines of the project are located.

The Company shall have an option within 120 days after the determination of the values as hereinbefore provided to retain the project free from any interest therein on the part of RFC at a price equal to the portion of the fair value of the project assigned to RFC's interest therein as above provided. The

Company shall notify RFC in writing within the said one hundred and twenty days whether or not it exercises the option, and if the option is exercised, RFC shall within thirty days after the receipt of such notice execute such document or documents as may be necessary to vest in the Company full title to the project. Coincident with the execution of such document or documents, the Company shall make payment of the price in cash to RFC.

If the Company does not exercise such option within the said period, then RFC shall have the option within a period of one hundred and twenty days counted from the date of the notice to such effect from the Company (or if notice is not given, from the expiration of the period allowed for such notice) to direct the transfer of the Company's interest in the project to any person, firm, corporation, or association at a price equal to the portion of the fair value of the project assigned to the Company's interest therein as above provided. If RFC within such period notifies the Company of its desire to exercise the option, the Company shall within a period of sixty days following the receipt of such notice execute such document or documents as may be necessary to transfer all its right, title, and interest in the project to the person, firm, corporation, or association designated by RFC including conveyance of the underlying land and easements. Such easements shall be only for use in the operation of the abacá project and shall endure so long as their use for such purpose shall not have been abandoned for a period of one year.

Coincident with the execution of such document or documents, RFC will pay to the Company the price in cash.

(b) If neither party exercises the option within the period allowed therefor, the project shall be liquidated in accordance with the following procedure:

(1) All of the standing abacá which is considered suitable for the production of fiber will immediately be butcher harvested for the account of RFC.

(2) The Company shall have the option to purchase any equipment, machinery, buildings, rail lines, or other improvements on the property which it can utilize in its business other than abacá operations and which the RFC does not wish to utilize elsewhere, at a price equal to the cost of the equipment, machinery, buildings, rail lines, or other improvements, less a reasonable allowance (without regard to book figures) for depreciation and obsolescence. If the parties cannot agree on the amount of depreciation and obsolescence, the determination shall be made by the umpire appointed in the manner provided in paragraph 7 hereof.

(3) RFC shall have the right for its own account to remove from the land and dispose of all equipment, machinery, buildings, or other improvements placed on the land for its account which are not purchased by the Company pursuant to paragraph 9 (b) (2) hereof. RFC shall have a period of one year within which to effect such removal.

(4) Upon the expiration of the period allowed for the removal of improvements by RFC, the underlying lands, as well as the lands over which rights-of-way have been established, shall be retained by the Company free of any claims by RFC, and any improvements remaining on the lands of the Company at the conclusion of said period shall vest in the Company free of any claims by RFC.

The provisions of this paragraph are without prejudice to the rights of the Company under the provisions of paragraph 10 hereof.

10. *Additional option rights.*—(a) On or after December 31, 1949, but before July 1, 1951, the Company may give written notice to RFC that the Company desires to terminate this contract because of its intention to convert all the underlying lands to the use of the Company for growing crops other than abacá. In case such notice is given, this agreement shall terminate upon the expiration of thirty months after the date of such notice.

(b) Upon the termination of this agreement pursuant to paragraph 10 (a) hereof, or by notice given by RFC pursuant to paragraph 8 hereof, the project shall be liquidated in accordance with the procedure set forth in paragraph 9 (b) of this agreement, except that if the termination should be made by notice given pursuant to paragraph 10 (a) hereof, the butcher harvesting shall be completed by the effective date of termination resulting from such notice.

11. *Operation during liquidation.*—It is understood that the Company will continue to operate the project for the account of RFC as long as any options provided in paragraph 9 hereof are outstanding and that the Company will be en-

titled to the management fee stipulated in paragraph 3 for the period of such operation. If the project is liquidated in accordance with paragraph 9 (b) or 10 (b) hereof, the Company will be entitled to receive the management fee until the butcher harvesting has been completed. The proceeds of sale of the fiber produced from butcher harvesting as well as the expenses chargeable against such sales and such butcher harvest shall be included in computing the management fee.

12. *Cancellation of previous options.*—Paragraph 5 (A) of the Panama and Costa Rica Planting and Cultivating Agreement of January 3, 1942, and paragraph IX of the Costa Rica Abacá Precessing Contract of August 21, 1942, granting certain options to the respective parties are hereby canceled and rescinded.

13. *Severance pay upon termination of agreement.*—If upon the expiration or termination of this agreement the Company continues in its other business the employment of employees who have been engaged in work on the abacá project, the amount of the contingent liability of RFC for severance pay corresponding to the period worked by such employees on the abacá project will be arrived at by agreement, or, if no agreement is reached, by actuarial computation, and the amount sufficient to cover such liability will be paid to the Company and for the purpose of determining net earnings, as provided in paragraph 3, shall be included as an item of operating expense.

14. All notices of every nature to be given pursuant to this agreement may be addressed, if to the RFC, to "Reconstruction Finance Corporation, 811 Vermont Avenue NW., Washington 25, D. C.," or if to the Company, to "Compania Bananera de Costa Rica, 80 Federal Street, Boston 10, Massachusetts," or as to either party addressed as may from time to time be otherwise directed in advance by such party. Any notice shall be deemed to have been duly given if and when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, registered and deposited, postage and registry fee prepaid, in a post office regularly maintained by the United States Government.

15. The failure of either party hereto to insist, in any one or more instances, upon performance of any of the terms, covenants, or conditions of this agreement, shall not be construed as a waiver or a relinquishment of the future performance of any such term, covenant, or condition by the other party hereto, but the obligation of such other party with respect to such performance shall continue in full force and effect.

16. No member or delegate to the Congress of the United States of America shall be admitted to any share or part of this agreement or to any benefit arising therefrom, but this provision shall not be construed to extend to this contract if made for a corporation for its general benefit.

17. This agreement shall be deemed to have been made in the State of New York and shall be governed by the laws of that State.

18. This agreement is binding upon and shall inure to the benefit of the successors and assigns of the respective parties hereto, provided, however, that neither party shall have the right to assign this agreement except as otherwise herein provided or with the written consent of the other party or in connection with and as a part of the merger, consolidation, or reorganization of either party, and provided further that RFC may designate other corporations or agencies to exercise any right, power, privilege, or function granted it by this agreement or applicable to provisions of law, and provided further that RFC may assign to any other agency, instrumentality, or wholly owned corporation of the United States Government.

IN TESTIMONY WHEREOF, the parties have caused this instrument to be executed in four (4) counterparts on behalf of each of them by their duly authorized officers.

COMPANIA BANANERA DE COSTA RICA,  
By A. A. POLLAN, *Executive Vice President.*

Attest:

ARTHUR E. NICHOLSON, *Secretary.*

RECONSTRUCTION FINANCE CORPORATION,  
By DE WITT C. SCHIECK,

*Manager, Office of Production.*

Attest:

LEO NEILSON, *Secretary.*



## HONDURAS

THIS AGREEMENT made this 6th day of June 1949 between RECONSTRUCTION FINANCE CORPORATION, a United States Government Corporation (hereinafter called RFC), and TELA RAILROAD COMPANY, a Delaware Corporation (hereinafter called the Company);

## WITNESSETH:

WHEREAS the Company has developed and operated for the account of RFC abacá plantations on the lands of the Company in Honduras under the Honduras Abacá Cultivating and Processing Contract dated September 11, 1942, between Tela Railroad Company and Defense Supplies Corporation, said contract having been transferred from Defense Supplies Corporation to U. S. Commercial Company and by U. S. Commercial Company to RFC; and

WHEREAS some 4,316 acres of abacá cultivations remain on lands owned and leased by the Company in Honduras, together with processing plants and other facilities (herein sometimes called the "project"); and

WHEREAS the contract above described has expired, and RFC is desirous of having the Company operate the said project for the account of RFC for a further period, and the Company is willing to undertake such management and operation on the terms and conditions hereinafter expressed;

NOW, THEREFORE, in consideration of the premises and of the mutual promises hereinafter contained, the parties have agreed and contracted with each other as follows:

1. *Management of the project.*—(a) The Company shall manage and operate the abacá cultivations, plants, and properties developed by the parties in Honduras under the afore-mentioned contract, said management and operation to be subject to the direction and for the account of RFC. The Company will have charge of the maintenance of cultivations, the harvesting of crops, the operation of processing plants and other facilities, and shall do all other things incident to the proper operation of the business. The Company shall assign to the projects sufficient of its managerial, supervisory, and technical personnel to permit effective management and shall use its best efforts to provide additional personnel and labor as required for efficient operation.

(b) The Company shall exercise such management, care, and control of the project and all the property and operations thereof as would reasonably be expected of a prudent owner, shall to the extent reasonably possible keep the same in good order and state of repair, and shall not commit nor suffer any waste thereof not necessary for the performance of this agreement. Operations shall be managed and conducted at all times subject to such instructions as RFC may issue, and the Company shall confer with RFC to determine the manner of performance.

(c) The Company shall deliver to RFC as soon as practicable after execution of this agreement for RFC's approval a reasonably itemized estimate of all costs and expenditures to be incurred in the course of management of the project during the year 1949 and shall deliver to RFC at least thirty days prior to commencement of each successive year a similar statement for such year.

2. *Reimbursement of costs and expenditures.*—RFC shall reimburse the Company on the basis of sworn monthly statements for all costs and expenditures properly incurred by the Company and determined on an accrual basis, in accordance with generally accepted accounting principles, in connection with the management and operation of the project, but such reimbursement shall be subject to adjustment on the basis of audit or other verification satisfactory to RFC and also shall be subject to adjustment with RFC if, when and to the extent that any accrual items included in such reimbursement are determined to be greater or less than the amounts actually payable as expenses of the project. When costs and expenditures have been made or incurred in other than United States currency, reimbursement shall be in United States currency at rates of exchange determined in accordance with generally accepted accounting principles. The Company shall furnish statements provided for in this paragraph as soon as practicable after the close of each calendar month, and payment shall be made within thirty days after receipt of such statements by RFC. Without excluding any other proper items of costs and expenditures properly chargeable to the project, there shall be included the following items:

(a) *Direct operating costs.*—(1) Labor cost comprising salaries and wages paid to nonsupervisory employees and laborers engaged in the work of the project, conducted at the actual scene of operations or elsewhere in connection therewith or in relation thereto, and salaries paid to supervisory employees for the period they are engaged full time on abacá operations,



(2) All costs and expenditure incurred in recruiting, transporting, and repatriating such employees and laborers.

(3) Costs and expenditures directly incurred to provide such laborers and employees with shelter, water, sanitation, medication and protection against accidents.

(4) Payments made by the Company for such laborers and employees for vacation pay, group insurance, retirement income, death benefits, severance pay and temporary and permanent accident and sickness disability or Workmen's Compensation insurance, in accordance with the general practice of the Company or as required by applicable laws including specific contributions to the Retirement Trust Fund established by the Company under its Retirement and Death Benefit Plan; provided however that where the service taken into account in computing severance pay includes time worked for the Company on other than the abacá project, reimbursement shall be made of only the pro rate part of the severance pay corresponding to the period worked on the abacá project (including all time worked on such project prior to the date of this agreement).

(5) Expenditures for fees of attorneys employed by the Company in connection with abacá work to the extent approved by RFC. No salaries of the Company's officers shall be reimbursed, nor shall there be any reimbursement of general overhead of the Company's offices outside the countries where the project is located but without excluding any items of direct expense incurred by such offices which are properly chargeable to the project.

(6) Cost of disposing of any unmarketable residual products.

(7) All taxes direct or indirect levied and assessed upon land and improvements thereon used exclusively in the project and upon machinery, equipment, materials and supplies, purchased by the Company under this or the prior agreement listed above and upon the roadways, railways, tramways, motive power, rolling stock, telephone lines, warehouses and houses constructed pursuant to this agreement or of the prior agreement and upon the processing plant or on account of the operations thereof and upon the production, transportation or exportation of fiber.

(8) All rentals paid by the Company to the Honduras Government for the use of land planted to abacá or otherwise used pursuant to this agreement during the period of employment of such land in connection with the project.

(9) Where tools and equipment, machinery and other fixed assets owned by the Company are used exclusively for the abacá project, all expenses attributable to their use including the cost of maintenance, operation and repair plus a reasonable allowance for depreciation and insurance to be determined by mutual agreement.

(10) Use of work animals of the Company at an agreed rate of \$0.35 United States currency, per day animal, which rate shall be subject to review at any time at the request of either party.

(11) Cost of materials and supplies. Where it is necessary to purchase any items of materials and supplies outside of the country of operations, the cost shall include a surcharge of 3% based on F. A. S. cost at port of shipment which the Company pays to its purchasing affiliate, Maritrop Trading Corporation, for its services and overhead expenses in purchasing the items and preparing the necessary shipping documents. For materials and supplies furnished by the Company and included in cost of operations the replacement cost thereof, plus a surcharge of 10% to cover the cost of storage and handling in warehouse.

(b) *Other operating costs.*—The Company agrees to make its existing facilities in Honduras, as well as its engineering, accounting and supervisory personnel at such place available for use in carrying on operations hereunder, but not to the exclusion of the Company in the use of such facilities and personnel for the Company's own business. The amount which RFC shall pay for such joint use shall be a pro rata part of the overhead expense determined in accordance with the terms of the report prepared by Peat, Marwick, Mitchell & Co., dated February 9, 1949, addressed Board of Directors, RFC and Mr. Louis S. Sisto, Comptroller, United Fruit Company, entitled "Bases of Allocation, Recommended for Distribution of Overhead Expenses Between Abacá Projects and United Fruit Company Operations," which is attached hereto as Schedule A and made a part of this agreement, but it is agreed that said bases of allocation shall be subject to review at any time at the request of either party. The Company shall deliver to RFC as soon as practicable, for RFC's approval, a reasonably itemized estimate of the amount chargeable to RFC for the project pursuant to said Schedule A for the year 1949 and shall deliver to RFC at least thirty days prior to the commencement of each successive year similar estimates relating

to such year. RFC shall advance to the Company the amount of such estimates in equal monthly installments except that in lieu of such installments for the last month of each calendar year, adjustment and settlement shall be made on the basis of the final determination of RFC's liability for the calendar year in accordance with said Schedule A.

(c) *Capital expenditures.*—All costs and expenditures of a capital nature. In determining such costs and expenditures, the provisions of paragraph 2 (a) hereof shall govern in so far as applicable. Capital expenditures for machinery and equipment and other fixed assets furnished by the Company and actually incorporated in the project will be paid for at the reasonable value thereof to be arrived at by agreement between the parties. For materials and supplies furnished by the Company and wholly incorporated in a permanent improvement constructed and used as a part of the project, the replacement cost thereof shall be paid to the Company plus a surcharge of 10 percent to cover the cost of storage and handling in warehouse. The Company shall not without RFC's prior written approval make any purchase or lease or other commitment or undertake any improvement involving a sum in excess of \$1,000 or involving a period of commitment in excess of six months; however, written approvals remaining outstanding under any of the prior agreements listed above shall be deemed approvals hereunder until withdrawn or limited by RFC.

3. *Management fees.*—(a) RFC shall pay to the Company for its services in managing the project management fees per calendar year equal to 15% of the annual net earnings of the project, but said fees shall in no event be less than an amount equal to \$1.00 per month per acre for the actual acreage under cultivation (including acreage cleared and ready for planting) at the beginning of each month.

(b) Net earnings for the purpose of calculating the management fees shall be computed annually and shall be deemed to be the amount by which (1) the receipts from the sale of abaca and other products produced by the project in each calendar year minus all expenses incurred for freight, insurance premiums, handling, weighing, storing, claims payments, and all other proper expenses to reduce such receipts to an F. A. S. basis, point of shipment (but not including any overhead expense of RFC's offices in Washington or elsewhere, or the salaries of RFC's employees) exceed (2) the direct and other operating costs and expenditures of the project during the said calendar year as hereinbefore defined (but not including any charge for depreciation or obsolescence, losses of fixed property or interest on RFC's investment in the project.) If any fiber is transferred by RFC to any United States governmental departments or agencies for stockpiling or other uses, or if RFC shall undertake itself to store any fiber for stockpile purposes or for other than market reasons, such fiber shall for the purposes of this paragraph be considered sold at the weighted average price received from the last sale of any Central American abaca of corresponding grade previous to the date of the transfer commitment or provisions to the date of RFC's consignment of the fiber to storage for stockpiling for other than market reasons.

(c) RFC shall furnish the Company as soon as possible after each sale is consummated, or after any sale is deemed to have been made as provided in paragraph 3 (b) hereof, with a statement of such sale, and as soon as possible after the end of each month will furnish the Company with a summary of all such sales together with the expenses chargeable against sales in accordance with paragraph 3 (b) hereof. The Company will bill RFC monthly for the minimum amount of management fees which RFC is obligated to pay under the provisions of paragraph 3 (a) hereof, and RFC will pay said bills within thirty days after receipt of voucher. As soon as reasonably possible after all fiber produced during the year has been sold or deemed to have been sold, the Company will prepare a statement of the profit of the project for such year calculated as hereinabove provided and showing the amount of the management fee calculated at 15% of such profit. If the amount of the management fee so calculated should exceed the minimum fee provided in paragraph 3 (a) hereof, RFC will pay to the Company the amount of such difference within sixty days after receipt of statement. Such statement shall be subject to audit and verification by RFC, and the Company shall at all times be afforded proper facilities for auditing and verifying RFC's sales' records.

(d) For the purposes of this paragraph 3, fiber shall be deemed to be produced on the date it is baled and neither the proceeds of sale of fiber produced prior to January 1, 1949, nor the expenses chargeable against such sales shall be considered in determining net earnings.

4. *Interim payments.*—The Company may bill RFC periodically but not more often than once each week and in form satisfactory to RFC for the estimated



amount of costs and expenditures incurred under paragraph 2 and the fees earned under paragraph 3 for the period covered by the estimated billing, and RFC will pay such bills promptly upon presentation. Interim payments made pursuant to such billing shall be shown as credits on the Company's monthly statements rendered pursuant to said paragraphs.

5. *Accounting, records, and reports.*—The Company shall keep accurate and complete records and books of account in accordance with generally accepted accounting principles, showing all costs and expenditures of whatever nature in connection with the project. The books of account shall distinguish current and operating expenses on the one hand and capital investment on the other hand. No material change will be made in the Company's present method of accounting without the approval of RFC. So far as practicable, the Company shall maintain a complete separate system of accounts for the project.

The Company shall furnish RFC with copies or adequate summaries of such records and books of account at such times as RFC shall determine and shall furnish such other information concerning the project and operations herein outlined as RFC shall from time to time request. RFC shall at all times be afforded proper facilities for inspection and supervision of the project and operations herein outlined and shall at all times have access to the premises, facilities, work, and materials, and to all books, records, correspondence, instructions, plans, drawings, receipts, vouchers, and memoranda of every description of the Company pertaining to said projects and work; and the Company shall preserve all such books, records, documents, and papers, provided, however, that if the Company at any time after the expiration of six months following termination of this agreement desires to dispose of said papers it shall so notify RFC, and if RFC so desires, said papers will be turned over to RFC for disposition, and any of said papers which RFC does not wish to receive may be disposed of as the Company may see fit.

The Company shall keep full, precise, and accurate records of scientific and technical knowledge acquired in the course of operations hereunder which may be examined or copied by RFC at any time. Upon request of RFC, the Company shall from time to time provide reasonable instructions to persons named by RFC in the best methods for the production of abaca fiber.

6. *Force majeure.*—The Company shall not be liable for loss, damage or delay caused by or due to any act of God, war, mobilization, the operation of any present or future laws, regulations, orders, interventions, seizures, requisitions or inspections of any governmental, political, military or naval authority (whether or not recognized by the United States of America or the country where the project is located), strikes, slowdowns, sitdowns, or other stoppage of work, labor disturbances, fire, pestilence and/or riots occurring in the country where the project is located, or civil commotion or cancellation or suspension of the operation of the transportation facilities or other causes beyond the Company's control. The Company shall notify RFC promptly of the existence and nature of any of the circumstances mentioned above.

7. *Settlement of disputes.*—In case of any disagreement between RFC and the Company as to any term or provision of, or any right, obligation or liability under this agreement, the parties shall make an earnest effort to settle such disagreement to their mutual satisfaction. If such effort be unsuccessful, then either party may cause such disagreement to be submitted for determination by an umpire by giving the other party a notice in writing or by telegraph to that effect. If, within 10 days thereafter, the parties are unable to agree upon an umpire, he shall be appointed by the senior judge of the United States Circuit Court of Appeals for the Second Circuit or, if he is not available, by the acting presiding judge of such Court, upon application of either party after reasonable notice thereof to the other. The decision of the umpire shall be final and binding on the parties for all purposes. The fees and expenses of the umpire shall be paid by the unsuccessful party unless the umpire directs otherwise, and then as the umpire may direct; provided that such fees and expenses resulting from determinations made by the umpire pursuant to the provisions of paragraph 9 hereof shall be shared equally by the parties.

8. *Duration of agreement.*—This agreement shall be effective as of January 1, 1949, and will continue in effect for a period of five years thereafter or until December 31, 1953, unless sooner terminated as hereinafter provided.

RFC shall have the right at any time, with or without cause, upon not less than thirty days' notice in writing, to terminate this agreement. In the event that RFC shall have defaulted hereunder by failing to pay to the Company the sums provided for in paragraphs 2 and 3 hereof within the stipulated time, the Com-

pany shall have the right, upon not less than thirty days' notice in writing, to terminate this agreement; provided that RFC may cure such default and thereby invalidate such notice by making payment at any time before the effective date thereof, and provided also that if RFC shall disagree as to the sums due, the right of the Company to terminate upon such notice shall not arise until thirty days after the decision that such sums or portions thereof are due shall have been made as provided in paragraph 7 hereof for the settlement of disputes, and then only if such sums still remain unpaid.

9. *Option rights.*—(a) Promptly upon expiration or any sooner termination of this agreement with respect to the project, RFC and the Company shall confer for the purpose of determining by agreement (i) the fair value of the project as a whole including the cultivations, installations and other properties and facilities furnished and paid for by RFC and the installations and other properties and facilities furnished by the Company and used exclusively in the project, including the underlying land and easements as hereinafter defined and (ii) the portion of said fair value to be assigned to the interest of each of the parties, and if such agreement be not reached within ninety days after such expiration or termination the determination of such values shall be made by an umpire appointed as provided in paragraph 7 hereof. "Underlying land," as used herein, shall mean the land of the Company on which the abacá cultivations, installations and other properties and facilities of the project (including those of the Company used exclusively in the project) are located, and such additional areas adjacent thereto as may be necessary for the proper operation of the project. "Easements," as used herein, shall mean rights-of-way over other lands of the Company upon which roadways, tramways, railways, canals, water lines and telephone lines of the project are located.

The Company shall have an option within 120 days after the determination of the values as hereinbefore provided to retain the project free from any interest therein on the part of RFC at a price equal to the portion of the fair value of the project assigned to RFC's interest therein as above provided. The Company shall notify RFC in writing within the said one hundred and twenty days whether or not it exercises the option, and if the option is exercised, RFC shall within thirty days after the receipt of such notice execute such document or documents as may be necessary to vest in the Company full title to the project. Coincident with the execution of such document or documents, the Company shall make payment of the price in cash to RFC.

If the Company does not exercise such option within the said period, then RFC shall have the option within a period of one hundred and twenty days counted from the date of the notice to such effect from the Company (or if notice is not given, from the expiration of the period allowed for such notice) to direct the transfer of the Company's interest in the project to any person, firm, corporation or association at a price equal to the portion of the fair value of the project assigned to the Company's interest therein as above provided. If RFC within such period notifies the Company of its desire to exercise the option, the Company shall within a period of sixty days following the receipt of such notice execute such document or documents as may be necessary to transfer all its right, title and interest in the project to the person, firm, corporation or association designated by RFC including conveyance of the underlying land and easements. Such easements shall be only for use in the operation of the abacá project and shall endure so long as their use for such purpose shall not have been abandoned for a period of one year. It is understood that a portion (approximately 500 acres) of the underlying land and easements of the project is leased by the Company from the Government of Honduras, and that rights under such lease cannot be assigned without the consent of the Government of Honduras. Therefore, if RFC exercises its option to purchase the interest of the Company, the Company will endeavor to secure the consent of the Government of Honduras to a transfer to the designee of RFC of the rights of the Company under such lease in so far as it relates to said lands and easements, and the obligation of the Company to make such transfer shall be on the condition that such consent be obtained.

Coincident with the execution of such document or documents, RFC will pay to the Company the price in cash.

(b) If neither party exercises the option within the period allowed therefor, the project shall be liquidated in accordance with the following procedure:

(1) All of the standing abacá which is considered suitable for the production of fiber will immediately be butcher harvested for the account of RFC.



(2) The Company shall have the option to purchase any equipment, machinery, buildings, rail lines, or other improvements on the property which it can utilize in its business other than abacá operations and which the RFC does not wish to utilize elsewhere, at a price equal to the cost of the equipment, machinery, buildings, rail lines, or other improvements, less a reasonable allowance (without regard to book figures) for depreciation and obsolescence. If the parties cannot agree on the amount of depreciation and obsolescence, the determination shall be made by the umpire appointed in the manner provided in paragraph 7 hereof.

(3) RFC shall have the right for its own account to remove from the land and dispose of all equipment, machinery, buildings, or other improvements placed on the land for its account which are not purchased by the Company pursuant to paragraph 9 (b) (2) hereof. RFC shall have a period of one year within which to effect such removal.

(4) Upon the expiration of the period allowed for the removal of improvements by RFC, the underlying lands, as well as the lands over which rights-of-way have been established shall be retained by the Company free of any claims by RFC, and any improvements remaining on the lands of the Company at the conclusion of said period shall vest in the Company free of any claims by RFC.

10. *Operation during liquidation.*—It is understood that the Company will continue to operate the project for the account of RFC as long as any options provided in paragraph 9 hereof are outstanding and that the Company will be entitled to the management fee stipulated in paragraph 3 for the period of such operation. If the project is liquidated in accordance with paragraph 9 (b) hereof, the Company will be entitled to receive the management fee until the butcher harvesting has been completed. The proceeds of sale of the fiber produced from butcher harvesting as well as the expense chargeable against such sales and such butcher harvest shall be included in computing the management fee.

11. *Cancellation of previous options.*—Paragraph V-E of the Honduras Abacá Cultivating and Processing Agreement dated September 11, 1942, granting certain options to the respective parties are hereby cancelled and rescinded.

12. *Severance pay upon termination of agreement.*—If upon the expiration or termination of this agreement, the Company continues in its other business the employment of employees who have been engaged in work on the abacá project, the amount of the contingent liability of RFC for severance pay corresponding to the period worked by such employees on the abacá project will be arrived at by agreement, or if no agreement is reached, by actuarial computation, and the amount sufficient to cover such liability will be paid to the Company and for the purpose of determining net earnings, as provided in paragraph 3, shall be included as an item of operating expense.

13. All notices of every nature to be given pursuant to this agreement may be addressed, if to the RFC, to "Reconstruction Finance Corporation, 811 Vermont Avenue, NW., Washington 25, D. C.", or if to the Company to "Tela Railroad Company, 80 Federal Street, Boston 10, Massachusetts" or as to either party addressed as may from time to time be otherwise directed in advance by such party. Any notice shall be deemed to have been duly given if and when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, registered and deposited, postage and registry fee prepaid, in a post office regularly maintained by the United States Government.

14. The failure of either party hereto to insist, in any one or more instances, upon performance of any of the terms, covenants, or conditions of this agreement, shall not be construed as a waiver or a relinquishment of the future performance of any such term, covenant, or condition by the other party hereto, but the obligation of such other party with respect to such performance shall continue in full force and effect.

15. No member of or delegate to the Congress of the United States of America shall be admitted to any share or part of this agreement or to any benefit arising therefrom, but this provision shall not be construed to extend to this contract if made for a corporation for its general benefit.

16. This agreement shall be deemed to have been made in the State of New York and shall be governed by the laws of that State.

17. This agreement is binding upon and shall inure to the benefit of the successors and assigns of the respective parties hereto, provided, however, that neither party shall have the right to assign this agreement except as otherwise herein provided or with the written consent of the other party or in connection with and as a part of the merger, consolidation, or reorganization of either

party, and provided further that RFC may designate other corporations or agencies to exercise any right, power, privilege, or function granted it by this agreement or applicable to provisions of law, and provided further that RFC may assign to any other agency, instrumentality or wholly owned corporation of the United States Government.

IN TESTIMONY WHEREOF, the parties have caused this instrument to be executed in four (4) counterparts on behalf of each of them by their duly authorized officers.

TELA RAILROAD COMPANY,  
By /s/ A. A. POLIAN,  
*Executive Vice President.*

Attest:

/s/ ARTHUR E. NICHOLSON, *Secretary.*  
RECONSTRUCTION FINANCE CORPORATION,  
By /s/ DEWITT C. SCHIECK,  
*Manager, Office of Production.*

Attest:

/s/ LEO NEILSON, *Secretary.*

Mr. DURHAM. The other thing that disturbs me, we have been in this operation for how many years at the present time?

Mr. SCHIECK. Eight years.

Mr. DURHAM. Eight years?

Mr. SCHIECK. Yes, sir.

Mr. DURHAM. And we have not reached any point where we can depend on those governmentals that have been benefitted by bringing a new industry into their country, by trying to carry out a program of more production? Have they been contacted, all of them, to try to work out something whereby they can expand it themselves and build up a new industry for their own country?

Mr. SCHIECK. I know those governments are interested in this abacá production. I cannot say that any one of those governments was ever approached with taking these projects over or undertaking operations of their own.

Mr. DURHAM. It looks like that is a State Department function.

Mr. SCHIECK. Well, I do not know. I think that the difficulty with an abacá plantation is it takes a great deal of skill and a great deal of money to put in and operate successfully. We think that we have proven——

Mr. DURHAM. You think it looks like it has been successful, so far as the operation is concerned, with a little help?

Mr. SCHIECK. Well, it has been successful to this point, but the planting of a new plantation is always hazardous, and, besides, you have to wait about 3 years before you have any return on your investment.

We canvassed the private capital sources which we thought we could interest in these projects to have them buy the plantations from us and take over our position. We were successful in disposing of our sisal plantation in Haiti, but we have not been successful in finding any interests to buy these abacá plantations in Central America.

Mr. DURHAM. You did all you could to get private capital into this operation, just like you would work along with them, so that they would put up a plant some place in the country and go out and try to get local capital from the banks? That is your policy? You are carrying out the same policy here that you are carrying out in your loans in the United States?

Mr. SCHIECK. We did not go into such an intensive program to try to uncover someone to try to do this work. We merely contacted the big sources of capital, the people who have operations down there.

Mr. DURHAM. Are you talking about the beginning of your operation or your new contract?

Mr. SCHIECK. I am talking now about taking over our present position in Haiti.

Mr. ARENDS. Who took over the one at Haiti?

Mr. SCHIECK. The Haitian Agricultural Corp., which is a New York firm.

Mr. ARENDS. New York?

Mr. SCHIECK. Yes, sir; and we were able to dispose of it to them, and we got out of that position.

Mr. ARENDS. What other pursuit are they engaged in over there?

Mr. SCHIECK. That is all.

Mr. ARENDS. Is this incidental, or is this the main thing?

Mr. SCHIECK. That is all they have in Haiti that I know of. They originally started down there in 1918 and 1919 in connection with the production of ironwood or some dye—some wood from which dye is made—and they got some experience in that operation. They have since gotten out of that operation and taken over this sisal plantation, and we had about 6,000 acres, which was a successful operation.

Mr. ARENDS. A little while ago you were breaking down the figures, and I think you got off on another tangent. You said if you butchered this crop—you got to where you had \$7,000,000 left, and then you were going to butcher the crop and then what was going to be the result?

Mr. SCHIECK. Assuming that the book value of our machinery and equipment, plants, and so forth, which is about \$5,000,000, is recovered—which I doubt—if we junked that machinery and equipment I doubt if we get \$1,000,000 for it—but on our books it has the value of \$5,000,000, which leaves \$7,000,000 to be recovered from the sale of fiber, and I figure if we butcher that fiber over 13 months and used every usable stalk, and made a second cut through after that period, we would recover fiber that would net us somewhere between \$5,000,000 and \$7,000,000. Let us take \$6,000,000 as a better figure.

Mr. DURHAM. That would be the end of production, would it not?

Mr. SCHIECK. That would be the end of the plantation. Once you butcher—we found that the experience in the Philippines, and our own experience has been, once you butcher a plantation there is no point in going in and trying to bring it back.

Mr. DURHAM. I like the word harvest rather than butcher.

Mr. SCHIECK. Butchering it kills it.

Mr. DURHAM. You kill it?

Mr. SCHIECK. Yes. The plants have to have shade. The big leaves are shading the plants and keep the weeds down, and permit the foliage to come along, and if you take the shade away it results in a stunted growth which deteriorates and does not produce fiber.

Mr. DURHAM. Any questions?

Mr. HAVENNER. Not at this time.

Mr. DURHAM. Mr. Arends?



Mr. ARENDS. I was wondering if a greater effort could be made in interesting capital in this venture. With a little more effort we may be able to get someone interested. I do not know, I am just asking the question.

Mr. SCHIECK. The United Fruit Co. would be the only logical purchaser of these plantations. Bear in mind that railroads, hospitals, camps, and other facilities representing a very large investment are required. Now, on these particular plantations for the most part we were saved that investment because the fruit company had its own facilities there and made them available to us, so we were able to install these plantations even in wartime at a cost of about \$500 an acre average, when the cost would have been much greater if we had to build those camps, hospitals, railroads, tramways, and so forth, that belong to the fruit company that we were using. The fruit company, then, would be the only logical purchaser because they own those facilities. Whoever bought would have to duplicate those facilities to a large extent.

The fruit company was approached on many occasions, but we were unable to get together on any basis of a take-over by them. These plantations employ about 500 to 1,000 people each. There are no towns located there. You have to build the town, and you have to furnish them with commissary facilities and hospitals, and you have to build the railroad or tramway on which they are located.

Mr. ARENDS. The reason they won't take over is because of the probable loss?

Mr. SCHIECK. Yes. On these acres down there we might get \$300 or \$400 an acre return on abacá. The fruit company is not particularly interested in that because they much prefer operating in bananas where their return per acre is several times that. And they know the banana business, and they are not particularly interested in getting in the fiber business.

Mr. ARENDS. I was just wondering whether or not the production of abacá in Central America could be accomplished under the point 4 program?

Mr. SCHIECK. As I understand the point 4 program at this point, it is a matter of technical assistance.

Mr. ARENDS. With more or less a guarantee of profits. Indirectly that is what it amounts to.

Mr. SCHIECK. There are several people who have approached the Export-Import Bank, and other agencies, who have evidenced some interest of going into abacá production down there, but the acreage that they would be able to swing under that type of financing would be rather small, I think, because I would say that it costs, for a 5,000-acre plantation, about \$1,000,000 a year to operate it.

Mr. DURHAM. You take this average prewar production, from 1934 to 1938, 427,000,000 pounds, and in 1950 the figures are 157,000,000 pounds. How are we getting along without it now? Is industry doing without it, or are we doing without it because if we consumed that much in 1934 and 1938, without a war going on, and today we have gone through a war—

General QUINTON. Mr. Chairman, may I suggest that Mr. Goble and Mr. Brewster talk on that point?

Mr. DURHAM. Yes.



**STATEMENT OF JOHN GOBLE, WALL ROPE CO., ALTERNATE MEMBER OF THE MUNITIONS BOARD ADVISORY COMMITTEE**

Mr. GOBLE. My name is John Goble, Wall Rope Co.

Mr. DURHAM. Are you with the Government?

Mr. GOBLE. No, with the Wall Rope Co., and I am chairman of the Cordage Institute fiber committee.

The answer to that question, Mr. Chairman, would be our own consumption is running approximately that of prewar. However, the rest of the world is not able to afford to buy abacá. Europe in particular is using sisal very largely in replacement of abacá because sisal is obtainable in Sterling. Most of the abacá that is in use being procured by European nations, and up to now also by the Japanese, is from ECA money, or, in the case of the Japanese, the occupation army money. Those nations have limited very strictly the amount of abacá they will take in dollars. It is a dollar consideration more than anything else.

Mr. DURHAM. Well, it has gone up in average price, from 1934 to 1938, from 7.8 cents to 24 and 27 cents. I do not know the price today. That is 3 years ago. What is the price today?

Mr. GOBLE. As of today it would go at 23½ cents.

Mr. DURHAM. Twenty-three and a half cents?

Mr. GOBLE. There has been a decline of recent date.

Mr. DURHAM. And none of it being offered on the market today at all except what little comes from the Philippines?

Mr. GOBLE. At the present time there is material offered. It is not available, of course, anyway in quantities, such as it was prewar.

Mr. DURHAM. Well, it looks like it would be something that would be very inviting if there was any profit in it at 7.8 cents 10 or 12 years ago there certainly ought to be some profit in it today at 24.2. It looks like that would be encouraging to the people in Central and South America to at least go into this business.

Mr. GOBLE. In the Philippines itself, which is the country that is best suited, and has most experience in growing abacá, there has been a great slowness, at least, to get into new production there, chiefly because—although on the face of it it may be attractive, it may appear attractive—they have, in fact, suffered an inflation of their costs of living, and so forth, that has compelled them largely into subsistence crops. They can actually make more money today, as we understand it, in growing corn than in growing abacá. For a long time since the war they have been more interested in collecting copra, and the like, which returned better than abacá.

Moreover, the land laws in the Philippines since the war have militated against new investment in abacá. The Japanese plantations which were taken over by the guerillas largely were in the first instance occupied during the war by these people squatting on them, having no guaranty and no surety of continuing in those operations, and since have been allowed to deteriorate in general. The result has been that production has declined and until recently there seems to be little hope of it increasing. There does appear little hope of some new plantation coming in.

Mr. SCHIECK. On the point of the attractiveness of the present-day price, we should bear in mind it will be substantially 3 years from

the time of planting until the product comes in and is available on the market in large quantity. There is no assurance that the price will continue, nor is there any assurance of what your price will be in Central America against that market price 3 years hence. That is a deterrent to private capital.

Mr. DURHAM. That raises a question: Why are we going in on this on a 10-year basis instead of a 3-year or 6-year basis? Is there any reason for that? Did somebody in the National Resources Planning Board make a recommendation on a regional basis or long-term basis?

General QUINTON. It is flexible, sir. I do not know what you asked for but I am sure you can get out of that contract in 10 years, but we wished to set it up on that basis to assure it would be a going proposition, and in the interim we would obtain material from that part of the world for our stockpile, which we are not accumulating to the extent that we wish, and then when the additional acreage blooms, so to speak, that will offer us that national security which is the point at issue here.

Mr. DURHAM. The only question in my mind is the fact that when we get to a point where we can get out, can we get out?

Mr. SCHIECK. Our present contract with the Fruit Co. has a 30-day cancellation clause, which would operate on behalf of either party, but I would say in obtaining land in Central America to plant the abacá we have to look to public lands, and arrangements will have to be made with the respective governments on a 10-year basis for leasing those lands with options to renew such terms in succession after that, and since the crop does not begin to mature until 3 years obviously a much shorter time than 10 years would not permit you to get out of your investments down there in a shorter period. You really need 10 years to work out your initial capital investment to get your money back, and then you, Congress, could decide in 10 years whether the thing should be killed or continue from there.

Mr. ARENDS. During the war you will recall when we were short of this Manila hemp we started these hemp plants all over the country.

Mr. SCHIECK. Yes.

Mr. ARENDS. Would the hemp plants we built—and two or three are in my own local district in the State of Illinois—where the product was worth while, or did the hemp produced fail to meet the qualification or specifications of the hemp produced elsewhere?

General QUINTON. Could Mr. Brewster speak on that?

Mr. DURHAM. Yes.

#### STATEMENT OF ELLIS W. BREWSTER, PRESIDENT AND TREASURER OF PLYMOUTH CORDAGE CO.

Mr. BREWSTER. My name is Ellis W. Brewster, president and treasurer of the Plymouth Cordage Co. I am a member of the Munitions Board Industry Advisory Committee, and a consultant to the NSRB.

I think that whole hemp operation is worthy of a little discussion. I was a member of the War Production Board Fiber Committee, and had something to do with its development. It was gone into, sir, when it looked like the Japanese would close the bay of Bombay, which would cut off jute as well as hard fibers which had already been cut off from the Philippines, you see, and it was a decision that had to be made then. We could not wait to see if the Japanese would close

the bay of Bombay, and action had to be taken then, and action was taken very wisely, I think.

The first action was to freeze the hemp seed, because hemp could be planted for fiber one way and seed another way. A way had to be provided to get an adequate amount of seed for hemp. Those hemp plantations were gone into, and it sounded like an expensive proposition, but I happen to know both sides of this decision. It was a wise one. That hemp was useful. It was not as good as manila, but it was darn good fiber. I think it was a wise thing.

It is not as good as abacá. The product does not last as long. It takes many more man-hours to make it, and it is——

Mr. DURHAM. It is very expensive?

Mr. BREWSTER. Yes, it is very expensive. We must use American labor at American prices against tropical labor at tropical prices.

If I could add one more thing to the Central American thing: I have been down there and have seen those operations, and I should like to testify to the high degree of skill and efficiency that the Reconstruction Finance Corporation and the United Fruit Co. have put into it.

Mr. DURHAM. That applies to all the countries?

Mr. BREWSTER. I have not seen all the countries. I have seen several of them, but I am sure they are all on the same basis.

Mr. DURHAM. That includes Panama, Costa Rica, Honduras, and Guatemala?

Mr. BREWSTER. Panama, Costa Rica, Honduras, and Guatemala.

Mr. DURHAM. Four.

Mr. BREWSTER. The poorer the fiber the more man-hours it takes to convert it, and the less the product will last. It is inefficient, and with respect to this tropical operation Central America has a relatively high labor cost as compared to the production on Haiti and the Philippines. It takes a different type of operation. The Philippine operation is largely a peasant operation. In Central America it has got to be largely a machine operation, because of the high labor cost, and therefore it has got to be efficiently operated. It takes an organization to run it, and if I might be permitted a slight company reference, we went into the hemp business—the Plymouth Cordage Co. in Cuba, and we did a poor job of it. We are not tropical operators. We know how to make rope, we think, but we are not tropical operators. We lost money on it, and we did not do a good job. It does require, as Mr. Schieck stated, someone skilled in tropical operations.

That production in the Western Hemisphere under the control of the RFC, other than private industry, is dependable. If individuals go into it they may last, they may not last, and it is fiber in the case of a national emergency that we want. We want to be sure we have it.

Mr. DURHAM. I can see where that would be much safer.

Mr. SMART. Mr. Schieck, for the record, under what authority do you now have your contract with the United Fruit Co.?

Mr. SCHIECK. We are presently carrying on under an interim basis under authority of Congress on a letter from Mr. Steelman, assistant to the President.

Mr. SMART. Your original authority?

Mr. SCHIECK. The original authority under 5 (d) (3) of the RFC Act, which allowed the RFC to produce, buy, and sell these strategic materials.



Mr. SMART. At the present time is there some question as to whether or not it is valid authority?

Mr. SCHIECK. Well, the joint resolution of, I think it is, June 12, 1945—I am not too sure of the date—but it was in 1945, authorized the RFC to carry on its continuing wartime operations under that 5 (d) (3) authority. The authority expired with respect to any new undertaking, and that is substantially the reason why we have been unable to make any capital improvements with these particular plantations since that time. We have been just sort of floundering along waiting for the decision as to what should be done.

Mr. SMART. Under the letter of Mr. Steelman, your authority continues until the 30th of June, which is this month?

Mr. SCHIECK. That is right.

Mr. SMART. And if the Congress does not take some action on the matter so you will know the status on your future contractual relation with the United Fruit Co. for the production of abacá in Central America on or before June 30, then this start that you had in Central America may very well just fade out of the picture; is that correct?

Mr. SCHIECK. It will be jeopardized; yes, sir. I do not know just what the action of the other authorities would be in recommending to us certain things to be done, but I would hazard a guess the most they could ask us to do would be to carry on in status quo until Congress did act on this legislation, and I would like to submit that this is not altogether possible. This is a living thing we are dealing with. You cannot keep it in status quo. It is either going to go back—and they are going back because of our attempting status quo operations in the last few months—or they can go forward. Any plant depending upon the culture given—will either develop or its growth be retarded. A lot of attention—yet not enough because of the status quo limitation on operations—has been given these plantations to save them, and some of them are in pretty bad shape from floods, droughts, and other conditions.

Mr. SMART. Apparently, from the testimony here, the financial background of this operation indicates that it has been self-liquidating.

Mr. SCHIECK. Yes, sir.

Mr. SMART. That would be true on the basis of the current price of abacá, would it not?

Mr. SCHIECK. Yes, sir.

Mr. SMART. Let us assume that in the future the market price of abacá would decline, would abacá in Central America become a subsidy crop, so far as this country is concerned?

Mr. SCHIECK. This legislation contemplates the continuation of these projects only in the interest of national defense. There is a definite possibility that the market may decline and these operations, in such event, could result in a net loss to the Government. Thus, if materials going into the national stock pile and other similar items being handled solely for the national defense—many of which undoubtedly result in expense to the Government—are considered subsidies, then these operations, in the event of loss, would likewise be considered a subsidy. However, this legislation provides funds for research, through which it is hoped production costs may be reduced to offset any market decline, so as to continue, insofar as possible operation on a break-even basis.



I would like to point out that we lost about \$3,500,000 on this operation during the war because we were enjoined to sell our product at OPA ceiling price, which was then 15 cents a pound, so the difference between our selling price and our cost during that period of time in the pounds of fiber, or approximately \$3,500,000 lost, which we could have recovered had we been on the market.

Mr. SMART. Is it true, Mr. Schieck, that in Central America there are local laws which require an employer employing more than 1,000 people to pay a stipulated wage, which in this instance is a great deal higher than the wage for similar or the same work in the Philippines?

Mr. SCHIECK. I think that is true to my knowledge of one country. As to the others, I am not too sure about. I know that the fruit company wages and our wages exceed the wages paid by the nationals in those countries in a great many instances. Our costs would be higher because we have to be very careful with health and sanitation measures. If we were to go into an area we would have to make it safe from malaria, furnish hospitals and other facilities to the workers, furnish them with a camp in which to live of our own construction, and camps on the various farms. So I would say it would cost a large company more under those circumstances than it would a small private operator. But a small private operator, unless he had facilities, could not just go and raise a couple of acres of abacá.

Now, a couple of them are doing that, and we buy the stock from them, and decorticate it for them, but there are two other crops down there that make more money, such as coffee and bananas.

Mr. DURHAM. We do not process it down there?

Mr. SCHIECK. Yes, sir; we process it down there.

Mr. DURHAM. And the fiber is brought up?

Mr. SCHIECK. Yes, sir.

Mr. SMART. Assuming that the 50,000 acres of abacá envisaged under this legislation should all be planted in Central and South America, what portion of the current American need would that meet?

Mr. SCHIECK. I would say it would meet, assuming that the present consumption is 80,000,000 pounds per year—approximately 80,000,000 pounds in 5 years—we would hope to have 65,000,000 to 70,000,000 pounds a year from those 50,000 acres, so it would come I guess to about three-quarters, substantially.

Mr. SMART. I was trying to determine, Mr. Schieck, from that question what the effect would be on the Philippine economy, assuming that your 50,000 acres would be in full production.

Mr. SCHIECK. Sir, that goes into world-wide consumption figures with which I am not too familiar. If I may, I would like to refer that question to those here that are better equipped on the statistical end of the world situation.

Mr. DURHAM. That 80,000,000 pounds would not give us very much for stock piling; would it?

Mr. SCHIECK. During the past year we have put one-third of our production into the stockpiles—rather, let me put it this way: We produced about 30,000,000 pounds last year. Seven and a half million pounds were sold and went into the national stockpile, and about 2,000,000 pounds were sold to the Navy, so roughly about one-third went into Federal Government use and two-thirds went into industry.

Mr. DURHAM. Under this agreement how much of this goes to national defense? How much will go into national defense? Is that enough? Are you getting your share?

General QUINTON. To that question we make the purchase of the amount of abacá from Central America and the Philippines. We have purchased from our stockpile from both sources.

Mr. SMART. How much in addition to that purchased from Central America? How much from the Philippines would go in the stockpile?

General QUINTON. I cannot answer the question percentagewise. If you want that figure, I will get it for you. The industry proportion is about 70-30.

Mr. SCHIECK. That is what it has been running, but there is nothing to prevent the Federal Supply Services from taking all of it, or what part they wish.

Mr. DURHAM. Well, if we go into this, we ought to get a fair share of what is available. It is a question of getting a fair share for the stockpile compared to what is going outside.

Any questions?

I believe the next representative is from the Department of State. Mr. Thomas C. Mann.

Will you come around, Mr. Mann, and tell us what you know about abacá?

#### **STATEMENT OF THOMAS C. MANN, DIRECTOR, OFFICE OF MIDDLE AMERICAN AFFAIRS, DEPARTMENT OF STATE**

Mr. MANN. My name is Thomas C. Mann, Director of the Office of Middle American Affairs.

Mr. Chairman, I have a statement here which, with your permission, I would like to read.

Mr. DURHAM. Proceed.

Mr. MANN. It is very short.

The Department of State has been informed by the Department of Defense that the expansion of abacá production in the Western Hemisphere is important to our national security. The Department of State is prepared to accept the judgment of the Department of Defense concerning the military and strategic importance of the proposed legislation, as well as the amount of funds which will be required for the purpose, and accordingly supports the legislation.

The Department of State believes that other American Republics will cooperate in the program and it has already received assurances to this effect from Costa Rica and Panama.

Mr. DURHAM. How about the other countries?

Mr. MANN. We inquired of our Embassies concerning the others, but due to the local political situation it was deemed by our ambassadors in the field to be imprudent to discuss it at this time.

Mr. DURHAM. However, negotiations are being carried out?

Mr. MANN. Yes, sir.

Mr. DURHAM. Or will be?

Mr. MANN. Yes, sir. They are being carried out in two countries, and in two other countries we thought this was not the opportune time to take it up because of the local political situation. Guatemala, for example, is a special situation.

Furthermore, past and present cultivation of abacá has helped the economies of four of the Central American republics and, if the proposed legislation is approved by Congress, an even greater stimulation will be given to the economies of those countries whose abacá production is increased or begun. This is consistent with the policy of our Government to lend feasible and appropriate help in the development of the economies of the American republics.

As you know, the United States Government, acting through the Reconstruction Finance Corporation, negotiated contracts in 1941 for the cultivation and operation of some 26,000 acres of abacá plantations in Panama, Costa Rica, Honduras, and Guatemala. I am informed that these operations have been successful and that the plantations produced approximately 28,000,000 pounds of abacá fiber in 1949. The Department of State has, however, no direct experience and knowledge concerning the economic feasibility of the project and, in this respect, must defer to the judgment of the agencies directly concerned.

The Department of State also has a continuing interest in the rehabilitation of abacá production in suitable areas other than the Western Hemisphere. It is believed, however, that the Western Hemisphere program should not be deferred pending possible consideration by the Congress of programs for other areas.

The bill would be less likely to discourage production outside the Western Hemisphere and would probably be psychologically and politically less objectionable from the viewpoint of United States relations with other important abacá producing countries such as the Philippines if the committee, in its report, were to make clear that the United States Government does have a continuing interest in the production of abacá throughout the world. Provision might properly be made in subsequent legislation for a separate abacá program for such areas.

MR. DURHAM. So far as you know, those countries in which you are operating this program down there has lent encouragement to the program instead of discouragement?

MR. MANN. Yes, sir. I think all four of the countries in which we have operated are pleased to have the programs carried on there, and are giving us their cooperation.

MR. DURHAM. It certainly gives a good demonstration of the point 4 program, the good will forces, and everything else we have been trying to build up these economies. And when we strike something like this it looks like you put in all the encouragement you can. We do not want to stay in this kind of operation continually in other countries.

MR. MANN. That would be our hope, too, sir, that private enterprise at some point could pick up the program and carry it on. I would doubt if it is feasible to rely on private enterprise to do it at this time.

MR. DURHAM. The State Department concurs in the 10-year program as outlined in this legislation?

MR. MANN. That is correct—as outlined in the proposed legislation.

MR. DURHAM. Any questions? Mr. Arends?

MR. ARENDS. No.

MR. DURHAM. That completes your statement?

MR. MANN. Yes.

MR. DURHAM. Thank you very much.



Mr. MANN. Thank you very much.

Mr. DURHAM. Mr. McDaniel, I believe, is the next witness.

Mr. GOBLE. I would like an opportunity to say a word about the cordage industry's attitude towards Philippine production.

Mr. DURHAM. Yes. Do you want to make that statement now?

Mr. GOBLE. If I might.

Mr. DURHAM. Yes; I think it would be better.

Mr. GOBLE. The cordage industry has, of course, had friendly and cooperative relations with the Philippines, and, indeed, our interests are very parallel and close to theirs in the production of abacá. We now use the bulk of our supplies which come from the Philippines, and will continue to do so. We earnestly hope that their production will increase. We have noted with real satisfaction that there is a rising tendency now in their production. We have noted also these efforts of the Philippine Government to promote and foster the Philippine production of abacá by private individuals, and we hope those will be brought to successful outcome.

Mr. DURHAM. We bought all they are producing, haven't we? If it is offered to us? If it is offered by the Philippines, aren't we purchasing it?

Mr. GOBLE. We buy all we need. The industry buys all it needs.

Mr. DURHAM. Somebody ought to be buying it, if it is scarce in the stockpile. If industry is not buying it, we should be buying.

Mr. GOBLE. The stockpiling is a matter we do not know of. We do not know what volume they propose to buy. They have the people who conduct the program, and who do a satisfactory job, as we view it.

Mr. DURHAM. It would be a problem if it was offered to us and we did not purchase it. It would not make good sense to me. It would not be a good business matter. We will find out about that later.

Mr. GOBLE. Right. I just wanted to make the statement on our attitude toward the Philippines.

Mr. DURHAM. I am sure that ought to be agreeable, and it will be helpful to them as well as other countries if we have a policy.

Mr. GOBLE. Yes, sir.

Mr. DURHAM. Mr. McDaniel.

#### STATEMENT OF J. S. McDANIEL, PHILIPPINE ABACA DEVELOPMENT CORP.

Mr. McDANIEL. Mr. Chairman, my name is J. S. McDaniel, and my address is 619 Dupont Plaza Hotel, Washington, D. C.

From June 1920, until March of this year, practically 30 years, I was secretary and chief executive officer of Cordage Institute, the trade association of hard fiber cordage and twine manufacturers in the United States. In that capacity I gained a broad knowledge of world hard fibers.

Since 1935 I have made many trips to the Philippines, and since World War II have been active in trying to rehabilitate world production of hard fibers, particularly abacá.

I resigned from the Cordage Institute because I could not conscientiously fail to recognize, first, the inadequacy of trying to pro-



duce abacá in the Western Hemisphere on a Government subsidy basis, and ignoring the necessity of rehabilitating Philippine abacá, nor, second, the obligations of the United States to the Philippines.

That country was devastated as much as any in the world in support of the United States in winning World War II. During that war, when things looked dark, the late President Roosevelt gave the Philippines the solemn pledge of the United States that their freedom would be redeemed, and that they would be assisted in the full repair of the ravages caused by war.

Various other public officials, including Ambassadors McNutt, O'Neal, and Cowen, and Members of Congress, have promised Philippine rehabilitation. This proposed legislation as introduced violates these promises.

Upon my resignation from the institute I associated myself with the Philippen Abacá Development Corp., a newly organized Philippine corporation, which had contracted with the Philippine Government to begin the rehabilitation of Philippine abacá on a large scale basis. I have been urged by various United States Government officials to aid in Philippine rehabilitation as a most important step in re-establishing a sound Philippine economy.

I support passage of Senate bill 3520, with further amendments designed to support, first, national security, and, second, Philippine economy.

I am filing, with your permission, the identical brief filed with the Senate Armed Services Committee at the hearing on S. 3520, together with suggested amendments to either of these bills as introduced, designed to accomplish the above purpose.

(The brief and the proposed amendments are as follows:)

(The writer of this memorandum supports immediate passage of S. 3520 with further amendments designed to support (1) National Security and (2) Philippine economy.)

#### MEMORANDUM RELATIVE TO S. 3520, ABACA ACT OF 1950

##### SPONSOR

Department of Defense (Munitions Board).

##### PURPOSE

To continue and expand production of Abacá (Manila fiber) in the Western Hemisphere by the United States Government.

##### PRODUCT DESCRIPTION

Abacá is a hard, leaf (miscellaneous) fiber used in the making of marine and other cordage. It is classified by the Munitions Board as a highly strategic and critical material which cannot be grown in the United States. Substitutes are sisal, hanequen, jute, synthetic products such as nylon, paper, wire rope and mechanical means of material-handling not requiring manila rope (escalator, etc.).

The possibility of substitutes, at various price levels, tends to integrate the problem of abacá and fibers commonly used for other products such as agricultural twines, and, therefore, the matter must properly be considered coordinately and not separately.

## HISTORY OF CENTRAL AMERICAN ABACÁ

Abacá is indigenous to the Philippines where, prior to World War II, 95 percent of the world's requirements were produced. Abacá requires growing conditions—rainfall, suitable land, etc.—such as are found ideal in the Philippines, reasonably good in other southeastern Asia areas and possible, at great relative cost, in Central America.

Abacá was introduced into the Western Hemisphere (Panama) in the early 1920's, with the encouragement and help of the United States Government, as a national security measure. By 1941, a relatively small quantity of 3,000 acres was being grown on an experimental basis by the United Fruit Co. Immediately following Pearl Harbor, the plantings were expanded to approximately 30,000 acres to supply United States military requirements. This was by contract between the Reconstruction Finance Corporation and the United Fruit Co.

Since VJ-day, these plantings have been continued under directive of the President of the United States to the RFC, acting under authority to continue wartime projects for liquidation purposes. The last such directive, it is understood, was issued March 30, 1950, and probably is for a relatively short time, probably not beyond June 30 or July 31, 1950. It is also understood that it is unlikely that further directives will be issued without action by the United States Congress.

Abacá production in Central America has been disappointing. Because of one difficulty or another, the 30,000 acres planted has already been reduced to 25,879 acres. Production was expected to reach 64,908,300 pounds in 1949 but official statistics show it was only 30,239,050 pounds. Now it is planned to abandon or butcher harvest approximately 50 percent of the existing 26,000 acres.

While the cost of producing Central America abacá is greatly in excess of Philippine costs, the quality is not considered as good as Philippine abacá. This is evidenced in the fact that prices consumers have been willing to pay for Central American abacá are 1 to 2 cents lower per pound than for Philippine abacá. However, the quality is adequate for making a reasonably good finished product. The light color of the Central American abacá is due to machine decortication. Light color in Philippine abacá indicates high quality. But rope made from Central American abacá is weaker in tensile strength than that made from Philippine abacá.

## PROBLEM

The problem in this situation, particularly in view of the present wording of the proposed legislation, falls into three categories, namely, (1) national security, (2) economic, and (3) political.

1. *National security.*—This is mentioned first solely because it is the one approach of the proposed legislation as introduced. From this single viewpoint, it is important (a) to maintain a physical stockpile in the United States, and (b) to continue a reasonable production in nearby areas which can be rapidly expanded (2 years required for expansion to production) in time of emergency while the physical stockpile is being utilized.

2. *Economic.*—Production on a subsidy basis, covered in 1 (a) above, should be held to a minimum in order (a) not to have unnecessarily an adverse effect on Philippine economy and (b) so that the "stockpile" (1 (a) above) can be purchased as cheaply as possible through encouraging rehabilitation of Philippine abacá where it can be produced at the lowest cost.

3. *Political.*—Any unnecessary United States subsidy production of abacá in the Western Hemisphere, to the obvious detriment to Philippine economy, or any failure to write this legislation in such manner as (a) to recognize the Philippines' inherent interest in abacá and (b) to carry out the solemn promises of the United States to assist the Philippines "in the full repair of the ravages caused by the war" (President Roosevelt, October 13, 1943) will be considered by the Philippines as a failure by the United States to live up to its international agreements. This will have political repercussions, not only in the Philippines, but in the entire Far East.

## WORLD SHORTAGE OF ABACÁ AND RESULTANT EXCESS COST TO UNITED STATES

It is an established fact that there is a shortage of hard fibers in the world today. The statistics relative to abacá are as follows:

*Abacá*

	<i>Pounds</i>
Philippine production, prewar (1,200,000 bales)-----	330, 000, 000
Sumatra production, prewar-----	10, 000, 000
Central American production, prewar-----	1, 500, 000
	<hr/> 341, 500, 000 <hr/>
Philippine production, 1949-----	144, 375, 000
Central American production, 1949-----	30, 500, 000
Sumatra production, 1949-----	0
	<hr/> 174, 875, 000 <hr/>
Difference—prewar and postwar production-----	166, 625, 000
Estimated annual production per acre, 1,500 pounds.	
New acreage planned in proposed legislation for Western Hemisphere (21,000 times 1,500 pounds)-----	31, 500,000

Balance, requirement world production outside Western Hemisphere-----	135, 125, 000
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New acreage required outside Western Hemisphere—assuming 50,000 acres in that area as provided in S. 3520 or H. R. 8351, 90,000 acres (36,000 hectares).

NOTE.—There is a world shortage of sisal fiber currently, due in part to the shortage of abacá and the demand for sisal as a substitute for abacá, due to price, etc.

Assuming that the passage of this legislation will discourage new production world-wide, at least temporarily (discussed hereinafter) and that the world shortage and resultant high prices would therefore continue, the cost to the United States of such legislation (exclusive of direct charges of the Western Hemisphere operations) would be as follows:

[Deleted.]

PASSAGE OF S. 3510 OR H. R. 8351, AS INTRODUCED AND WITHOUT AMENDMENT, WILL DISCOURAGE PHILIPPINE ABACÁ REHABILITATION, ALREADY STARTED

As introduced, the proposed legislation provides only for continuation and expansion of Western Hemisphere production of abacá by the United States. Before the war, Philippine abacá was exported, in weight, approximately one-third to the United States, one-third to Japan, and one-third to Europe. The United States was the best abacá customer of the Philippines in dollars because it purchased the top grades. Europe purchased the intermediate grades, and Japan the lower grades.

Production on 50,000 acres in Western Hemisphere, at 1,500 pounds per acre, would be 75,000,000 pounds annually, or approximately 75 percent of the United States cordage and twine manufacturers' annual requirements. Removal of this market from Philippine exports would naturally deter capital from investing in Philippine abacá.

Financing Philippine abacá rehabilitation is required. It is difficult under any circumstances to get United States capital to move into foreign areas, as evidenced by the President's proposals in the point 4 program.

Passage of any legislation, indicating or inferring a policy of the United States being solely interested in Western Hemisphere abacá, would naturally deter capital, private or public, from flowing into abacá outside of the Western Hemisphere.



There can be no purpose served in trying to expand abacá production by 30,000,000 pounds in the Western Hemisphere—a possibility some United States Government personnel believe unattainable—if such efforts would discourage or adversely affect new Philippine abacá production, where at least 135,125,000 pounds additional production is required, even if the objectives of the proposed expanded Western Hemisphere production are attained.

#### PHILIPPINE ABACÁ REHABILITATION

Philippine abacá rehabilitation is under way on a large scale. In January of this year, the Philippine Government entered into a contract with J. H. Marsman (a leading Philippine industrialist, engineer, miner and businessman) to grow abacá on 18,500 acres of land. Under the terms of that arrangement, the contract has been assigned to the Philippine Abacá Development Co., a new private Philippine corporation. The capital stock of this corporation is \$1,500,000, of which \$502,500 has been subscribed. In addition, J. H. Marsman Co., has put into this project approximately \$250,000 of heavy equipment. Work has been under way on this project for some months and the best available personnel in the world have been employed to carry out same.

Also, Mr. Marsman is planning similar arrangements for agricultural land corporations to be established for purposes of developing Philippine abacá.

The Philippine Government has granted the Boy Scouts and the University of the Philippines 17,250 acres each for abacá.

At least two other large private groups are waiting only for the Marsman negotiations and final action on this proposed legislation before proceeding with similar plans for (a) new plantings of abacá and (b) rehabilitation of existing plantings in the Philippines.

#### ABACÁ IMPORTANT TO PHILIPPINE ECONOMY

So far as Philippine economy is concerned, abacá is of utmost importance. In dollar value, it has represented, over the years, 10 to 14 percent of total Philippine exports. It is currently the principal exportable item from the Philippines to hard-currency areas. In 1938, there were over 155,000 farms with approximately 700,000 acres planted to abacá in the Philippines. Approximately 800,000 Filipinos, of a total population of 16,000,000, were dependent upon abacá as their sole source of cash income. Every President of the Philippine Commonwealth and Republic has agreed that abacá is one of the, if not the most essential crop grown in the Philippines, for social and economic reasons. It is the only commodity produced in the Philippines that is practically non-competitive with production in other areas.

#### AMENDMENTS SUGGESTED TO PROPOSED LEGISLATION

Attached hereto is a copy of the proposed legislation as introduced, showing thereon amendments suggested to accomplish the changes indicated above. In suggesting these amendments, the following objectives have prevailed:

First, they leave the Munitions Board program for Western Hemisphere abacá unchanged;

Second, they avoid requesting any authority to permit any areas, other than Western Hemisphere, to participate in the authority or appropriations authorized for Western Hemisphere abacá;

Third, they establish a policy of the United States being interested in an adequate production of abacá in any or all suitable areas of the world, but without requesting any authority for appropriations for such purposes; and

Fourth, they reiterate existing authority for loans, on a reasonable repayment basis, to aid in adequate production of abacá in areas other than the Western Hemisphere. Of course, this existing authority is likewise available to the Western Hemisphere now under existing law.

These suggested amendments are designed to avoid any statement or inference in any legislation enacted that the United States is solely interested in Western Hemisphere abacá.

(Amendments suggested by J. S. McDaniel, designed to support (1) National Security and (2) Philippine Economy.)



A BILL to strengthen the common defense by providing for continuation and expansion of production of abacá by the United States, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Abacá Production Act of 1950."*

#### DECLARATION OF POLICY

SEC. 2. Whereas abacá, a hard fiber used in the making of marine and other cordage, is a highly strategic and critical material which cannot be produced in commercial quantities in the continental United States, and of which an adequate supply is vital to the industrial and military requirements for the common defense of the United States; therefore, it has been the policy of the United States to continue the program for production and sale of abacá in which it was engaged at the termination of hostilities of World War II, and it is hereby declared to be the policy of the United States that abacá production, throughout the world in any or all suitable areas of the world, shall be encouraged, financed, facilitated, and maintained in sufficient productive capacity to assure the availability in times of national emergency of adequate supplies to meet the civilian, military, and naval needs of the country.

#### WESTERN HEMISPHERE PROGRAM

SEC. 3. To effectuate, in part, the policy set forth in Sec. 2 of this Act, authority is hereby granted to further the development and maintenance of abacá production in the Western Hemisphere through aid and supplementation of operations under the Strategic and Critical Materials Stock Piling Act (60 Stat. 596) and the national security and common defense.

(a) (1) Production of abacá in the Western Hemisphere shall be continued by the United States Government: *Provided*, That the total acreage under cultivation shall not exceed the aggregate under cultivation as of the close of the month next preceding the date upon which this Act shall become effective, except that additional acreage may be added in the Western Hemisphere at the direction of the President and reduction of acreage under cultivation to abacá under this Act shall be effected whenever the President shall so direct: *And provided further*, That in no event shall the total number of acres under cultivation to abacá under this Act at any one time exceed fifty thousand.

(2) Such surveys and research may be undertaken as are necessary or desirable to obtain the best available land in the Western Hemisphere for the production of abacá, the best development of abacá and development and maintenance of the plantations for the production of abacá established on such land, and the most economical and practical processing and disposition of such fiber and byproducts as result from the production of abacá on such land.

(3) Abacá fiber, produced under this Act, which from time to time is not needed for stock piling under the Strategic and Critical Materials Stock Piling Act (60 Stat. 596), as amended, may be sold otherwise than for stock piling under such Act.

#### ADMINISTRATION

(b) (1) The President may issue such rules and regulations and make such determinations as he deems necessary and appropriate to carry out the provisions of this Act.

(2) All contracts entered into and all acquisitions of property effected under this Act shall be in such manner and on such terms and conditions as the President shall determine.

(3) The President may exercise any or all of the powers, authority, and discretion conferred upon him by this Act through such departments, agencies, officers, Government corporations, or instrumentalities of the United States, whether or not existing at the date of the enactment of this Act, as he may direct.

(4) The President may transfer to the departments, agencies, officers, Government corporations, or instrumentalities of the United States, or to any of them, which he directs to exercise the powers, authority, and discretion conferred upon him by this Act, such facilities, personnel, property, and records relating

to such powers, authority, and discretion, as he deems necessary; and he may so transfer all appropriations or other funds available for carrying out such powers, authority, and discretion.

(5) The financial transactions authorized by this Act shall be subject to the Government Corporation Control Act, as amended, and other laws specifically applicable to wholly owned Government corporations as a class.

#### FINANCING

(c) (1) For the purpose of carrying out the functions authorized by this Act, there is hereby established in the Treasury a revolving fund which shall consist of (1) such amounts as the Congress may appropriate thereto, which appropriations are hereby authorized, (2) such amounts as may be paid into the fund pursuant to subsection (e) of this section, and (3) amounts received in connection with any transfer pursuant to subsection 4 (d) of this Act.

(2) Pursuant to regulations prescribed by the President, the Secretary of the Treasury is authorized and directed to make advances from the fund not to exceed a total of \$35,000,000 outstanding at any one time. There shall be added to such advances and treated as advances an amount equal to the net value of assets of the program for the production and sale of abacá as held by the Reconstruction Finance Corporation on the effective date of this Act.

(3) Interest shall be paid on each outstanding advance at such rates as may be determined by the Secretary of the Treasury to be appropriate in view of the terms for which such advances are made.

(4) Appropriations are hereby authorized for payment in the form of a grant, in such amounts as may be estimated in the annual budget as necessary to cover losses. The annual budget program shall specifically set forth any losses sustained in excess of the grant previously made for the last completed fiscal year. Appropriations are hereby authorized for payment to cover such additional losses incurred.

(5) Receipts for each fiscal year may be used for payment of the costs incurred in connection with projects and activities authorized by this Act. After providing out of such receipts for necessary working capital requirements, any amounts in excess thereof shall be paid annually into the fund. Such payment shall be applied to reduce the amount of advances outstanding, and any remaining payments shall be covered into the Treasury as miscellaneous receipts.

(6) Until such time as the appropriations herein authorized are made, such of the powers, authority, and discretion provided for in this Act as the President may delegate to the Reconstruction Finance Corporation may be exercised by the Reconstruction Finance Corporation under the authority conferred by former section 5d (3) of the Reconstruction Finance Corporation Act, as amended (54 Stat. 573, 961; 55 Stat. 249); joint resolution approved June 30, 1945 (59 Stat. 310); and section 12 of the Reconstruction Finance Corporation Act, as amended (61 Stat. 207), with funds recovered or recoverable from its national defense, war, and reconversion activities.

#### DISPOSAL OF PROPERTY

(d) Whenever the President shall determine that any property is excess to the purposes of this Act, or that adequate supplies of abacá will be available from other sources within the Western Hemisphere on a basis acceptable to the United States, property held for the purposes of this Act may be disposed of in such manner and on such terms and conditions as the President may prescribe.

#### OTHER AREAS PROGRAM

SEC. 4. To effectuate further, in part, the policy set forth in Sec. 2 of this Act and notwithstanding the provision of any other Act, and upon request of the President, his authorized agent, or on its own initiative, any department, agency, officer, Government corporation, or instrumentality of the United States, whether or not existing at the date of enactment of this Act, is hereby authorized to aid in financing, guaranteeing the financing, and/or facilitating the purposes set forth in section 2 of this Act: *Provided*, That any loans or guaranties for such purpose shall be for specific purposes and must offer reasonable assurance of repayment: *Provided further*, That such repayment shall be completed within a period of not more than ten (10) years from the date of such a loan.

## REPORTS

SEC. 5. Within six months after the close of each fiscal year a report shall be submitted to the Congress on the activities under this Act.

## EFFECTIVE DATE AND DURATION

SEC. 6. This Act shall become effective on April 1, 1950, and shall remain effective for ten years thereafter, unless the President shall direct earlier termination of operations, and for such further period as is necessary to the earliest practicable liquidation of operations under this Act.

(Amendments (in italics) suggested by J. S. McDaniel, designed to support (1) national security and (2) Philippine economy.)

[S. 3520, 81st Cong., 2d sess.]

A BILL to strengthen the common defense by providing for continuation and expansion of [Western Hemisphere] production of abacá by the United States, *and for other purposes.*

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act may be cited as the "Abacá Production Act of 1950."

## DECLARATION OF POLICY

SEC. 2. Whereas abacá, a hard fiber used in the making of marine and other cordage, is a highly strategic and critical material which cannot be produced in commercial quantities in the continental United States, and of which an adequate supply is vital to the industrial and military requirements for the common defense of the United States; therefore, it has been the policy of the United States to continue the program for production and sale of abacá in which it was engaged at the termination of hostilities of World War II, and it is hereby declared to be the policy of the United States [to encourage] *that abacá production, throughout the world in any or all suitable areas of the world, shall be encouraged, financed, facilitated and maintained in sufficient productive capacity to assure the availability in times of national emergency of adequate supplies to meet the civilian, military and naval needs of the country.*

## WESTERN HEMISPHERE PROGRAM

SEC. 3. *To effectuate, in part, the policy set forth in section 2 of this Act, authority is hereby granted [and in that connection] to further the development and maintenance of abacá production in the Western Hemisphere through aid and supplementation of operations under the Strategic and Critical Materials Stock Piling Act (60 Stat. 596) and the national security and common defense.*

【SEC. 3.】 (a) (1) Production of abacá in the Western Hemisphere shall be continued by the United States Government: *Provided,* That the total acreage under cultivation shall not exceed the aggregate under cultivation as of the close of the month next preceding the date upon which this Act shall become effective, except that additional acreage may be added in the Western Hemisphere at the direction of the President and reduction of acreage under cultivation to abacá under this Act shall be effected whenever the President shall so direct: *And provided further,* That in no event shall the total number of acres under cultivation to abacá under this Act at any one time exceed fifty thousand.

【(b)】 (2) Such surveys and research may be undertaken as are necessary or desirable to obtain the best available land in the Western Hemisphere for the production of abacá, the best development of abacá and development and maintenance of the plantations for the production of abacá established on such land, and the most economical and practical processing and disposition of such fiber and byproducts as result from the production of abacá on such land.

【(c)】 (3) Abacá fiber, produced under this Act, which from time to time is not needed for stock piling under the Strategic and Critical Materials Stock Piling Act (60 Stat. 596), as amended, may be sold otherwise than for stock piling under such Act.



## ADMINISTRATION

**[SEC. 4.] (b) [a] (1)** The President may issue such rules and regulations and make such determinations as he deems necessary and appropriate to carry out the provisions of this Act.

**[b] (2)** All contracts entered into and all acquisitions of property effected under this Act shall be in such manner and on such terms and conditions as the President shall determine.

**[c] (3)** The President may exercise any or all of the powers, authority, and discretion conferred upon him by this Act through such departments, agencies, officers, Government corporations, or instrumentalities of the United States, whether or not existing at the date of the enactment of this Act, as he may direct.

**[d] (4)** The President may transfer to the departments, agencies, officers, Government corporations, or instrumentalities of the United States, or to any of them, which he directs to exercise the powers, authority, and discretion conferred upon him by this Act, such facilities, personnel, property, and records relating to such powers, authority, and discretion, as he deems necessary; and he may so transfer all appropriations or other funds available for carrying out such powers, authority, and discretion.

**[e] (5)** The financial transactions authorized by this Act shall be subject to the Government Corporation Control Act, as amended, and other laws specifically applicable to wholly owned Government corporations as a class.

## FINANCING

**[SEC. 5.] (c) [a] (1)** For the purpose of carrying out the functions authorized by this Act, there is hereby established in the Treasury a revolving fund which shall consist of (1) such amounts as the Congress may appropriate thereto, which appropriations are hereby authorized, (2) such amounts as may be paid into the fund pursuant to subsection (e) of this section, and (3) amounts received in connection with any transfer pursuant to subsection 4 (d) of this Act.

**[b] (2)** Pursuant to regulations prescribed by the President, the Secretary of the Treasury is authorized and directed to make advances from the fund not to exceed a total of \$35,000,000 outstanding at any one time. There shall be added to such advances and treated as advances an amount equal to the net value of assets of the program for the production and sale of abacá as held by the Reconstruction Finance Corporation on the effective date of this Act.

**[c] (3)** Interest shall be paid on each outstanding advance at such rates as may be determined by the Secretary of the Treasury to be appropriate in view of the terms for which such advances are made.

**[d] (4)** Appropriations are hereby authorized for payment in the form of a grant, in such amounts as may be estimated in the annual budget as necessary to cover losses. The annual budget program shall specifically set forth any losses sustained in excess of the grant previously made for the last completed fiscal year. Appropriations are hereby authorized for payment to cover such additional losses incurred.

**[e] (5)** Receipts for each fiscal year may be used for payment of the costs incurred in connection with projects and activities authorized by this Act. After providing out of such receipts for necessary working capital requirements, any amounts in excess thereof shall be paid annually into the fund. Such payment shall be applied to reduce the amount of advances outstanding, and any remaining payments shall be covered into the Treasury as miscellaneous receipts.

**[f] (6)** Until such time as the appropriations herein authorized are made such of the powers, authority, and discretion provided for in this Act as the President may delegate to the Reconstruction Finance Corporation may be exercised by the Reconstruction Finance Corporation under the authority conferred by former section 5d (3) of the Reconstruction Finance Corporation Act, as amended (54 Stat. 573, 961; 55 Stat. 249); joint resolution approved June 30 1945 (59 Stat. 310); and section 12 of the Reconstruction Finance Corporation Act, as amended (61 Stat. 207), with funds recovered or recoverable from its national defense, war, and reconversion activities.

## DISPOSAL OF PROPERTY

**[SEC. 6.] (d)** Whenever the President shall determine that any property is excess to the purposes of this Act, or that adequate supplies of abacá will be available from other sources within the Western Hemisphere on a basis accept-



able to the United States, property held for the purposes of this Act may be disposed of in such manner and on such terms and conditions as the President may prescribe.

#### *Other Areas Program*

*Sec. 4. To effectuate further, in part, the policy set forth in section 2 of this Act and notwithstanding the provision of any other Act, and upon request of the President, his authorized agent, or on its own initiative, any department, agency, officer, Government corporation, or instrumentality of the United States, whether or not existing at the date of enactment of this Act, is hereby authorized to aid in financing, guaranteeing the financing, and/or facilitating the purposes set forth in section 2 of this Act: Provided, That any loans or guarantees for such purpose, shall be for specific purposes and must offer reasonable assurance of repayment: Provided further, That such repayment shall be completed within a period of not more than ten (10) years from the date of such loan.*

#### REPORTS

SEC. [7] 5. Within six months after the close of each fiscal year a report shall be submitted to the Congress on the activities under this Act.

#### EFFECTIVE DATE AND DURATION

SEC. [8] 6. This Act shall become effective on April 1, 1950, and shall remain effective for ten years thereafter, unless the President shall direct earlier termination of operations, and for such further period as is necessary to the earliest practicable liquidation of operations under this Act.

Mr. McDANIEL. Abacá production in Central America—I would like to interject—I have withdrawn, in the brief, one page which, for security reasons, might give out information that is pretty generally known, but I will give it to the committee for whatever it wishes. In that connection I would like to point out that the present world shortage of fiber, on a very conservative basis, is costing the people of the United States \$30,000,000 annually, of which 50 percent is borne directly by the United States Government. The remaining 50 percent is borne 50 percent by farmers and 50 percent by general industry and maritime.

Abacá production in Central America should be continued, but this should be done on a realistic basis. This proposed legislation should be drafted in such a manner as not to discourage rehabilitation of Philippine abacá on a private-enterprise basis, without subsidy. This is particularly essential inasmuch as Philippine abacá is necessary to United States national security, which I will endeavor to develop in more detail later.

I am not advocating, in the amendments which I am suggesting, that Philippine abacá participate in the authorizations provided for in the program contemplated in this bill. Nor am I suggesting that Congress authorize any appropriations for Philippine abacá. I am merely suggesting, first, a preamble to the bill which states the policy of the United States that it is interested in a world-wide production of abacá and, second, a reiteration of existing authority of such agencies as the Export-Import Bank to aid and facilitate, by loans, such rehabilitation. This seems relatively little support to ask for the Philippines, who fought so valiantly for the United States.

I am also particularly encouraged to argue this case for the Philippines because I know how important abacá is to their economy.

In January of this year Gen. Douglas MacArthur told me that if we fail in the Philippines we fail in the entire Far East. All of the people in that part of the world are watching this trial of democracy in that country.

I suggest that Western Hemisphere solidarity is isolation. When the United States endeavors to transplant and produce in the Western Hemisphere commodities indigenous to other areas, that is upsetting the economy of those countries and is running the risk of bringing on world war III long before the national stock pile can be completed.

Government witnesses at the Senate hearings on S. 3520 stressed that the "Philippines have been and will continue to be the backbone, in time of peace, of our cordage industry." I suggest that it can also well be the backbone of our cordage industry in time of war.

A few comparisons—recognizing that comparisons can be odious—we still have our bases in the Philippines by treaty. Panama has taken bases away from us. I think a very little research will show that there is much more communism prevalent in the four areas where this abacá is being grown in Central America than in the Philippines, irrespective of the bad press which the Philippines are getting at the present time.

We all know in the industry that a scorched-earth program is possible, and unless those people south of us remain free, or unless we go in—changing our past policy—with armed forces into those areas, they could very well refuse to send us the abacá that they are producing. Nevertheless, it should be grown there, but I do think, Mr. Chairman and gentlemen, that in providing for that growth it is very little to ask that we merely state clearly we are interested in the world production of these hard fibers.

In the Senate bill before you they express that. Senator Hunt, in speaking on the floor of the Senate, expressed it in his report and in debate, but incidentally the bill as it came over goes on to state merely that, in connection with that very well phrased policy, only abacá in Western Hemisphere apparently is being considered.

I think the committee should endeavor to obtain from the Munitions Board how much abacá they are trying to buy for the physical stockpile, and then research and see if a little aid—moral aid—to the Philippines could not reduce the price of the abacá which they are buying each year. That would pay big dividends to the United States people and the Government.

Thank you.

Mr. DURHAM. I believe you stated you have severed your connections with the Cordage Institute people. How long has your company been in existence?

Mr. McDANIEL. We went into existence in January of this year.

Mr. DURHAM. It is a private concern?

Mr. McDANIEL. It is a private concern which entered into a contract with the Philippine Government.

Mr. DURHAM. And you have been trying to encourage production of abacá in the Philippines, I believe you stated?

Mr. McDANIEL. I went to the Philippines in November of last year for the institute to negotiate abacá production. I helped make up a contract between the Philippine Government and a private individual.

Mr. DURHAM. Is that contract being carried out?

Mr. McDANIEL. That contract is being carried out. Work is in operation in Davao. They will have put into the Philippines by September of this year, one-half million dollars in gold. In addition, they have put in \$250,000 gold of heavy equipment.

Mr. DURHAM. With the large production there the year before, just what do you think is the difficulty today in getting them back to full production?

Mr. McDANIEL. There are several difficulties, Mr. Chairman. First, during the war about 25 percent of abacá lands, approximately, were destroyed and put into food production. Since the war, with the shortage of fiber, the high prices have discouraged production.

Mr. DURHAM. How do high prices discourage production?

Mr. McDANIEL. Well, for the same reason down south where I came from, if you paid labor too much money per day, he works only 1 day a week instead of 5 or 6 days a week, and they make enough in a few days or a few hours' work to quit working and only produce a small amount.

To illustrate, there are two major areas where abacá is grown in the Philippines. One is known as Davao, and the other is known as Bicolandia. I made a trip through Bicolandia in January, and I found they would be stripping back from the roads not much wider than this room, and not going back into the deeper areas, and not bringing their abacá back to peak production.

There is one wealthy family in the Philippines by the name of Tuasans who have heavy investments in transportation at Bicolandia. They are proposing to go in and bring that production back. That production, in my judgment, can be increased in 2 or 3 months' time, but as long as these prices prevail you will find that the Philippines will be satisfied with lesser production.

As a matter of fact, Mr. Chairman, there are Filipinos on relatively small acreage of abaca who did their best to oppose this contract which was subsequently signed on the philosophy that they are benefiting with their relatively high prices and they do not want to see more production coming in to lower those prices. The price of abacá in the Philippines today could be down to 16 cents landed at New York with current freight costs.

Mr. DURHAM. What is the policy of the Philippine Government?

Mr. McDANIEL. The Philippine Government is now very active trying to rehabilitate the abacá lands. They have acted to this extent: They have circumvented their land laws in order to bring about large-scale operations. They have done that through the medium of a management and engineering company. In other words, these lands are not leased to these operators, but they may sign a contract to operate them for various agencies or holders of the land. In this particular case it was the NAFCO. They have granted 7,000 hectares, which is about 17,500 acres, to the Boy Scouts of the Philippines. A similar amount has been granted to the University of the Philippines.

Mr. DURHAM. To what extent do you think the program outlined in S. 3520 would promote the security of investment in the Philippines?

Mr. McDANIEL. Actually, if you grow in Central America 75 percent of the fiber required by the industry in the United States, it can only have an adverse effect on the Philippine rehabilitation. It is a little bit more important than that. The private capital in the Philippines has approximately 20 to 30 percent capital required to be put up, and the balance must be obtained from some agency like the Export-Import Bank. Now, the Export-Import Bank, or the World Bank, have policies. They are not bound by law, but they have policies in



the past that they want to lend only 50 percent of the capital required, and demand 50 percent equity.

Mr. DURHAM. You have been trying to work out something in the past. In your opinion, is the Government encouraging private investors to come in?

Mr. McDANIEL. Yes, sir. In fact, my activities, Mr. Chairman, are not for this particular company. We are merely trying to point the way for at least three to six times as much as this particular project which has been started.

Mr. ARENDS. Forgetting for the moment the shut-off of any possible war, are you suggesting to the committee there could be sufficient abacá production in the Philippines to take care of the needs of this country, including stockpiling?

Mr. McDANIEL. Oh, yes.

Mr. ARENDS. And how soon could that demand be met, in your opinion?

Mr. McDANIEL. I think, Mr. Congressman, you can get it there quicker than in Central America, for this reason: I think the rehabilitation in the Philippines has been started, and the next step is to obtain adequate financing. Now, that financing has been very definitely held up pending action on this legislation, which was known to be coming up.

My own philosophy leads me to believe that you can get better results through private enterprise than you can get through subsidy operations, and that applies whether it is United States operations or the Philippines.

The Philippines since the war tried to grow abacá as a government and failed miserably. They spent many millions of dollars on it.

Mr. DURHAM. It has been about 4 years of operation.

Mr. McDANIEL. If there is anything in that philosophy, then you should be able to get it just as quick. You do not have to hunt for the proper lands, for instance, in the Philippines. We know where those lands are. In one valley we have 120,000 hectares. There are 2½ acres to a hectare.

Mr. DURHAM. Thank you very much.

Mr. SMART. Mr. Niederlehner, before you leave, I would like to ask whether the bill before you indicates the Senate amendment in S. 3520. This bill is identical to the House bill but does not show the Senate amendment. I would like for you to point out the Senate amendment, as to policy.

Mr. NIEDERLEHNER. That is in the Senate report, Mr. Smart.

Mr. McDANIELS. Do you want a copy of the bill, Mr. Smart?

Mr. SMART. Do you have one as passed by the Senate?

Mr. McDANIEL. Yes.

Mr. SMART. In other words, apparently the only Senate amendment in here on page 2 of Senate 3520, in line 6. After the word "production", and add "throughout the world."

Mr. McDANIEL. That is right.

Mr. SMART. So it is declared to be the policy of the United States to encourage abacá production throughout the world, and in that connection encourage the production of abacá in the Western Hemisphere. They have extended this Western Hemisphere policy to world policy; is that right?

Mr. McDANIEL. That is it.

Mr. SMART. As the bill now stands, as amended by the Senate, what do you think of it?

Mr. McDANIEL. I pointed out to the State Department that the continuation of that sentence, and not even a new sentence, seemed to tie up that policy solely with Western Hemisphere, and you could draft the bill and make it clear that it was the policy throughout the world we were interested in. I believe both the Munitions Board and the Senate tried to do that. But there are some people in the Government, considering this Philippine project, who question if that is enough to "hang their hats on" to the extent of parting with money.

Mr. SMART. I might say that it was the purpose in adding those three words to make it a world policy rather than restrict it to Western Hemisphere. Don't you agree, although you may be in doubt as to the interpretation of the amended bill, that if the committee report and the discussion by the committee all state that the policy is world-wide, such declaration would be sufficient? Would you further object to the statement of policy as now stated in the amended bill?

Mr. McDANIEL. If we could get an agency like the Export-Import Bank to say that that is sufficient statement for them to proceed, then there can be no objection.

I think all of us are trying to do the same thing. What I have tried to do was merely to state a policy in the preamble without including Western Hemisphere in that particular section, and then, coming down to the second section of the bill, in this amendment which I have suggested, cover the Western Hemisphere program. Down further in the third section of the bill, provide moral support for other areas by merely reiterating existing authority for such agencies as the Export-Import Bank to lend money as they want to.

Now, what that does, Mr. Smart, is to give them something to "hang their hat on" in departing from usual, normal policies. They have two policies: One is to lend only the foreign exchange needed and, second, to lend only 50 percent of what is required.

Now, in this case neither of those policies can be met. Most of the money that has to be put into the Philippines is for domestic exchange, and you have to wait 2 or 3 years before you get an exportable product. So in those 2 or 3 years you need domestic exchange. Likewise, we know in the Philippines—and I think you have a wonderful comparison here; it is testified to here that in Central America you have to borrow 100 percent—you have to get 100 percent. In the Philippines we know that we have to borrow 70 to 80 percent. But do not overlook the fact that in Central America you could not produce abacá unless you borrowed 100 percent, according to the testimony today.

Mr. DURHAM. Does that complete your statement?

Where is the representative from the State Department?

Mr. SMART. Is Mr. Mann still here? He has gone back.

Mr. Chairman, may I suggest, in view of Mr. McDaniel's testimony, perhaps it would be appropriate to recall General Quinton if he has any rebuttal testimony to Mr. McDaniel's statement.

General QUINTON. Thank you, sir.

I think we anticipated quite a bit of Mr. McDaniel's testimony, having heard it in the Senate committee. But I do wish to speak to the point he raised about the change that was made by the Senate

in the language to make this world-wide instead of Western Hemisphere, to which we certainly have no objection.

Mr. DURHAM. Does the State Department concur in this language?

General QUINTON. Yes, sir.

Mr. DURHAM. It is carrying out the policy under which they are operating at the present time?

General QUINTON. May I correct that? I believe the State Department does. I would have to check it.

Mr. DURHAM. I would like to know specifically.

General QUINTON. Yes, sir; I will have to find out specifically from the State Department.

Mr. DURHAM. General, secure from the State Department a statement on this question, and if there is no objection it will be inserted in the record.

General QUINTON. Yes, sir.

(The statement referred to is as follows:)

JUNE 21, 1950.

The Hon. CARL T. DURHAM,  
Chairman, Subcommittee No. 3,  
Committee on Armed Services,  
House of Representatives.

MY DEAR MR. DURHAM: I understand that in the course of the hearings on S. 3520, providing for continuation of the abacá project in certain Latin American countries, the question was raised as to the State Department's position on the bill as passed by the Senate.

The Department approves the language inserted in the bill by the Senate committee which states the policy of Congress to be to encourage abacá production "throughout the world".

Your attention is also called to the statement made to the committee by Mr. Thomas Mann which more fully states the position of the Department.

Sincerely yours,

JACK K. McFALL,  
Assistant Secretary.

General QUINTON. Now, as to the remainder, which I brought out in my general statement, I wish to reiterate after Mr. McDaniel spoke that having made this policy world-wide, in our interest to stimulate abacá production, this bill runs to a specific piece of legislation to run a specific case. One that has been started. The authority for it is running out, and we are asking that the project be made larger with more emphasis on it for national security in view of the fact that the Philippines are 8,000 miles away from the United States, as against 1,100 or 1,200 miles from Central America to our Gulf ports. That, to us, represents an item of national security which we cannot overlook. It does not prejudice, in our opinion, any enterprise or any further project that might be set up for the Philippines any time it is found necessary so to do.

Mr. DURHAM. General Quinton, as you know, we have been going over these critical materials. This is a departure of picking out one of them for special legislation. In your opinion, or knowledge, is there any other one of these strategic materials that is going to have to be dealt with in such a manner as this?

General QUINTON. There is nothing specific on the books at the moment. There are some in the offing to which we are giving some study which might develop a need for United States aid in some particular, but there is nothing being proposed at the moment in connection with any other material.



Mr. DURHAM. Does that complete your statement?

General QUINTON. Yes, sir.

Mr. DURHAM. Thank you very much.

Mr. NIEDERLEHNER. Mr. Chairman, could I review the State Department's statement here for just a moment?

Mr. DURHAM. Sit down and give your name to the reporter.

Mr. NIEDERLEHNER. I am L. Niederlehner, counsel for the Munitions Board.

In the first place, when this legislation was cleared in the executive department, as a matter of course it was submitted to the Department of State, and concurred in by the Department of State.

Mr. DURHAM. That is before this language was inserted, though.

Mr. NIEDERLEHNER. At the time, a change was suggested by the Department of State in the existing draft of the language, which was even less than is now contained in the bill, to indicate there was no intent to discriminate against the production of abacá in another portion of the world. And on the Senate side a further change was made to the State Department's suggestion, to add the phrase "throughout the world."

Now, this morning Mr. Mann, referring to the State Department position on the present bill in the Senate, as changed, he states:

The bill would be less likely to discourage production outside the Western Hemisphere and would probably be psychologically and politically less objectionable from the viewpoint of United States relations with other important abacá-producing countries, such as the Philippines, if the committee in its report were to make clear that the United States Government does have a continuing interest in the production of abacá throughout the world. Provision might properly be made in subsequent legislation for a separate abacá program in such areas.

I think it is apparent that the State Department position now is that no further change is necessary in the bill. However, a suggestion was made that the committee make clear in its report its interpretation of the Senate amendment.

Mr. DURHAM. I think it will be well to submit that statement and have it placed in the record.

Mr. McDANIEL. Mr. Chairman.

Mr. DURHAM. Mr. McDaniel.

Mr. McDANIEL. It has been my understanding that the ambassador from the Philippines to the United States, and the Secretary of State, and the Secretary of Foreign Affairs of the Philippines, have an engagement this Friday to discuss this matter. There have been several such discussions, to my knowledge, and I still believe that the specific amendments which I have suggested might well be referred to the Department of State for comment.

Mr. DURHAM. General Quinton.

Mr. SMART. General Quinton, I would like to ask one final question: It appears from the record there is sufficient production, or certainly would be in the event of 50,000 acres of abacá in Central America, to satisfy not only the stockpile but some requirements of American industry.

General QUINTON. When the 50,000 acres come in that is correct, sir.

Mr. SMART. Let me ask you what amount of acreage would be necessary in Central America to satisfy fully the needs of stock piling without regard to any other demand for the product?

General QUINTON. Our determination of the 50,000 acres is based exactly on that because there was not much spoken about this morning, about the rotation of this item. We cannot comment upon the full stock-pile requirements because of deterioration which industry has determined to be approximately 3 years. We have not had much experience in this. It may develop later it may be stock-piled for 3 years, or it may be found that 3 years' stock piling will produce a deterioration not satisfactory to industry.

At the present time our stock piling is an attempt to stock-pile that amount which industry can take in revolving the stock pile because of the deterioration factor.

Mr. HAVENNER. Mr. Chairman.

Mr. DURHAM. Mr. Havenner.

Mr. HAVENNER. Mr. Chairman, for the benefit of the Members of Congress who are not familiar with the introduction of fibers and production of fibers throughout the world, I think this committee should have—if it does not have it already—the comprehensive information on the production throughout the world, consumption throughout the world, where the countries in the sterling area are now purchasing their supplies, and some information as to the comparable utility and value of what they are buying, and what we are producing in this country, or proposing to produce in Central America and the Philippines.

Mr. BREWSTER. Mr. Chairman, may I say in that connection there is a very excellent book prepared by the Department of Commerce that gives that information?

Mr. DURHAM. Is there a representative from the Department of Commerce here this morning?

I would like, General Quinton, for you to secure that information.

General QUINTON. Yes, sir; I will furnish Mr. Smart with sufficient copies of the Department of Commerce book to supply each member of your full committee with a copy.

Mr. DURHAM. The committee is adjourned subject to call of the Chair.

(Whereupon, at 11:45 a. m., the committee adjourned.)

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HOUSE OF REPRESENTATIVES,  
COMMITTEE ON ARMED SERVICES,  
SUBCOMMITTEE No. 3,  
*Washington, D. C., Tuesday, July 11, 1950.*

The subcommittee met at 10 a. m., Hon. Carl T. Durham, chairman of the subcommittee, presiding.

Mr. DURHAM. The committee will come to order.

I believe the first witness this morning is Mr. Schieck.

Mr. SCHIECK. Good morning.

Mr. DURHAM. Give your name to the reporter, Mr. Schieck, and who you represent.

Mr. SCHIECK. My name is DeWitt C. Schieck, representing the Reconstruction Finance Corporation.

Mr. DURHAM. Have you any statement, Mr. Schieck, that you would like to make?

Mr. SMART. Mr. Chairman, may I interject there? I had a conference with Mr. Schieck, representatives of the Munitions Board,

representatives of the State Department, and others, yesterday, and I suggested that they direct their attention today to at least three questions. In Mr. Schieck's particular case I asked him to be prepared to state the justification for predicating this abacá program on a 10-year basis, rather than some lesser number of years, if it is purely a defense program, and, in that connection, to discuss also the possibilities of the right of the Government and also of the Congress to terminate these agreements in the event that either of those two agencies should subsequently deem that to be advisable.

Now, are those two points clear, Mr. Schieck?

Mr. SCHIECK. Yes, sir.

Mr. DURHAM. Are you prepared to answer those questions?

Mr. SCHIECK. Yes, sir.

Mr. DURHAM. All right, you may proceed.

Mr. SCHIECK. Thank you.

A 10-year period appears to us to be the minimum period of time upon which this program could be justified from the standpoint of practical business and operating considerations. The installation of large plantations in virgin territory, such as contemplated here, will require the construction of railroads, many bridges, labor camps, factories, sewerage, water systems, and other improvements.

Since the conservative estimated life of those plantations is 15 to 20 years, it would follow as a matter of economics that buildings and other improvements should be of a permanent type, that is to say built to last the anticipated life of the plantation.

A short-time authorization would leave the operators in a difficult position with regard to the exercise of judgment as to the types of construction to use.

The existing plantations were developed during the war period when materials best adapted for long-term use were not available. As a result we have run into excessive expense in maintenance and replacement.

Further, if it is decided that the additional 25,000 acres should be planted as soon as possible consistent with good business practice, it would probably be 2 years before completion of planting. On this basis, assuming 10,000 acres planted by the end of 1951 and the balance of 15,000 acres planted by the end of 1952, the full 25,000 acres would not be in mature production until 1957 since it takes about 5 years for a plantation to mature and reach peak production. Assuming a 10-year operating period, there would be only 3 years remaining in which to reap the benefits of maximum production.

If the authority were not extended, liquidation would begin at the end of 10 years and would require about 2 years to complete. Under this plan the Government would have a fair chance to recapture its investment.

Now, our estimate of production for the 10-year period amounts to approximately 250,000,000 pounds of fiber, roughly 25,000,000 pounds a year. When the 50,000 acres, if planted, come into mature production, they should produce anywhere from 60 to 70 million pounds.

Mr. DURHAM. Per year?

Mr. SCHIECK. Per year.

Mr. DURHAM. What is our normal consumption? About 60,000?

Mr. SCHIECK. About 80,000,000 right now.

Mr. DURHAM. Eighty million pounds a year?



Mr. SCHIECK. Yes, sir. And these plantations 7 or 8 years from now, if they are in full mature production and we haven't run into floods and blow-downs or disease, or things of that sort—granted everything works favorably—should produce around 60 or 70 million pounds, somewhere in that area.

• But that production will not be in until 1957.

Mr. DURHAM. What is the military consumption, strictly from a national-defense standpoint?

Mr. SCHIECK. I am unable to answer that question, Mr. Chairman.

Mr. DURHAM. I believe it is classified.

Mr. VAN ZANDT. How much of our consumption do we import?

Mr. SCHIECK. We are now producing in Central America at the rate of about 27 or 28 million pounds annually. The requirement is 80,000,000. The balance, of course, is imported.

Mr. VAN ZANDT. Where does it come from?

Mr. SCHIECK. The Philippine Islands.

You see, this production schedule is influenced, or these estimates are influenced by a consideration of the possibility of having to give back to the United Fruit Co. about 10,000 acres, which would mean that in the years 1953, 1954, and 1955 we would only have about 15,000 acres in cultivation and bearing at maturity.

Mr. DURHAM. The United Fruit Co. at the present time has all the contracts?

Mr. SCHIECK. Yes, sir.

Mr. DURHAM. In Guatemala, Panama, Honduras, and Costa Rica?

Mr. SCHIECK. Yes, sir; the fruit company or its subsidiary companies.

Mr. DURHAM. Is this legislation broad enough to permit you to make contracts with any other individual that you care and desire to make contracts with?

Mr. SCHIECK. Yes, sir.

The reason the contracts are with the fruit company is because the fruit company had conducted the original experimental work in Central America and at the outbreak of the war had the only plantation down there.

Mr. DURHAM. How many years have they been experimenting with textilis, I believe that is the official name for it.

Mr. SCHIECK. The plant was introduced in Central America about 1925 or 1926 at the instance of a Mr. Edwards, who was an employee of our Department of Agriculture. He brought some plants over there and got the fruit company to plant them and to try and produce the material, looking for crops that would go good in that area and also which were necessary to our own economy. Later on, I believe, several of the cordage companies worked for a while with the fruit company in attempting to develop this material down there. The fruit company carried these experiments on until the beginning of the war, at which time they had about 2,000 acres, I believe, in cultivation. They were at that time experimenting with the types of machinery necessary to process the material. When the war came on, the fruit company had abandoned banana lands in these several countries where our abacá plantations are now located. Those lands were the most easily available and most readily adaptable to the growth of abacá because formerly as banana lands they had a system of roads and ballasted trackways for railroad, drainage canals, and were partially cleared.

They were back in second growth. But they didn't represent too much of a job to put into shape for cultivation. Since the fruit company had the only organization available down there, of their agricultural operators and railroad operators and general labor, it was the only logical and reasonable thing to do to employ the fruit company to put these plantations in, using seed from their own plantation. They went ahead with the work under these contracts without any compensation whatsoever of any kind. Our only agreement with them was that they would install the plantations. They would furnish us with budgets of the estimated cost and we would review those budgets. And then when the costs were incurred we would reimburse them. Those contracts lasted until December 31, 1948. Since then we have entered into new contracts with the fruit company for the continued operation of these plantations. Such contracts, however, are subject to cancellation on 30 days' notice and upon such cancellation certain provisions of the contract call for either sale or purchase by the fruit company. And in the event they do not purchase, would permit us to sell them to some buyer who might be interested.

I might say that all of our contracts are always written subject to cancellation by the Government whenever it so desires. Contracts contemplated under this legislation would be so written.

We anticipate no difficulty in securing cancellation rights on short notice with any prospective operators or with the governments of those countries who would make public lands available for this expansion work.

And since the legislation requires the operator to furnish Congress with annual reports on the progress of the program, it leaves Congress in the position to review progress and the facts. And if it is determined at any time during the period that the program should not be continued, it can rescind the authorization.

Mr. DURHAM. For what term have you been making you contracts heretofore, Mr. Schieck?

Mr. SCHIECK. Our contract with the fruit company is for 5 years.

Mr. DURHAM. Five years?

Mr. SCHIECK. But subject to 30 days' cancellation.

Mr. VAN ZANDT. How much money do we have invested in Central America?

Mr. SCHIECK. We have a total investment of approximately \$40,000,000, of which approximately 28 million have been recaptured, leaving us with an investment now of \$12,000,000, which investment is represented by growing crops and machinery and equipment.

Mr. VAN ZANDT. How does the price of this fiber, Central American fiber, compare with the Philippine fiber?

Mr. SCHIECK. The Philippine fiber is graded in a number of categories. Our fiber compares with the Davao I grade and the price at which it is sold on public bids runs around one-half cent under Davao I, as an average or general proposition.

You see, that fiber which we dispose of is offered on sealed bids to the buying industry and to whoever wishes to purchase it. Those bids are submitted to us and are opened weekly. We sell to the highest bidder, if we decide that the high bid is a proper price. But we, of course, watch the market to make sure that we are getting what we think is the value of our material.

Mr. VAN ZANDT. Based on your experience, which is the most expensive: The Central American fiber or the Philippine fiber?

Mr. SCHIECK. By the word "expensive," do you mean which costs the most to produce?

Mr. VAN ZANDT. Yes.

Mr. SCHIECK. Well, a great deal of the Philippine production is produced by so-called peasant industry; small individuals farming or harvesting a small acreage of fiber and using hand methods to decorticate it. The only indication that I have of a comparable situation is: One of the cordage companies does operate plantations over there and uses machine methods of decortication. I have a feeling—I cannot state it definitely—that it cost them around 12 cents a pound to produce it. Now our cost ranges all over the lot at present in Central American because some of our plantations have suffered damage from flood and from drought. We can give you what we believe is a reasonable expectation. I personally do not think we can reach 12 cents a pound down there. I think it will cost us something more than that, somewhere slightly above it.

Mr. VAN ZANDT. Well, would you say 16, 18, or 20 cents?

Mr. SCHIECK. Yes; I would say that we ought to be able to produce it for 14 or 15 cents.

Mr. VAN ZANDT. From the standpoint of quality, can you make a comparison?

Mr. SCHIECK. Well, our product does not compare favorably with the best Philippine product from the standpoint of luster or sheen. It seems that the hand method of decortication produces a brighter fiber. But from the standpoint of tensile strength and its use in a war emergency—and strength is the element desired there—it compares favorably.

Mr. DURHAM. How about the lasting quality?

Mr. SCHIECK. The same lasting quality, the same resistance to rot, abrasion, friction, and so forth. It is just in the sheen that it seems to fall a little short. And sheen is only a marketing factor. It has nothing to do with the use of the material in wartime.

Mr. VAN ZANDT. I am thinking of a hawser employed in the maritime service—2 inch, 3 inch, or 4 inch. My own experience has been in the past that the manila hemp will take more punishment and has a greater strength than this wartime material that you furnished us.

Mr. SCHIECK. Well, during the war numerous substitutes had to be employed to stretch our supply of fibers. Such abacá or manila hemp fiber that we had was adulterated with other materials, such as sisal, hennequin, or other materials. Naturally, that produced a weaker product. But our fiber comes from the same plants and is the same fiber as manila hemp, and if used alone will give the same wear and the same service as the similar fiber from the Philippines.

Now, there are some slight variations in the tensile strength of some of the grades. But I am speaking now as an over-all general proposition. There is no difference—that is, in my opinion—in terms of wear, service, and so forth.

Mr. VAN ZANDT. We have been speaking of Central America and the Philippines as the sources of production. Am I correct in assuming that we only have two sources of production of this fiber in the world, or are there others?



Mr. SCHIECK. There is only one other source, or perhaps two other possibilities at present. In Sumatra the Dutch have a plantation. I believe it is around 5,000 acres. It is very small. There is also an acreage, possibly 15,000 in North Borneo. But the North Borneo plantations have been very substantially affected by a disease called bunchy top. I recently saw pictures in the Department of Agriculture of the effect of this bunchy top on those plantations and it was a pretty sad sight. They are going to have to start all over again, in a large measure.

Mr. VAN ZANDT. That is all, Mr. Chairman.

Mr. DURHAM. Mr. Smart.

Mr. SMART. With specific reference to the question of termination of the contracts which may be entered into, assuming this legislation passes, I notice in section 8 that the act shall be effective for 10 years after date of enactment, "unless the President shall direct earlier termination." Now while the Congress may have the inherent right to rescind this legislation, there is certainly nothing in it which puts the contracting agencies on notice that the Congress may in fact do that. So I would like to ask you the question, would the RFC have any objection to inserting an amendment here which would provide that "unless the Congress or the President shall direct earlier termination of the contract"?

Mr. SCHIECK. No, sir, not in the slightest. We have always deemed that to be the inherent right of the Congress.

Mr. SMART. Yes. Of course I am sure you appreciate my point, that under your present relationships, contractual relationships, so far as the contractors are concerned they look only to the termination of this contract by the President.

Mr. SCHIECK. Yes.

Mr. SMART. Now this bill provides that you shall come up here and make reports to the Congress. But, even though the Congress may object or may not like these reports, and even though Congress has the inherent right to terminate the legislation, it still does not put anybody on notice that they may in fact do that.

So I would suggest for the consideration of the committee that you consider the possibility or desirability of adding an amendment on page 7, line 10, preceding the word "President," insert "Congress or the."

Mr. DURHAM. Any questions, Mr. Clemente?

Mr. CLEMENTE. Mr. Chairman, would this work a hardship on contractors that you have in Central America, where the 30-day termination date is given, under this?

Mr. SCHIECK. Well—

Mr. CLEMENTE. I understand these contracts are for 10 years, 5 years, or whatever they are, and there is a termination date of 30 days. Does that work a hardship on these people?

Mr. SCHIECK. I don't believe so, because you must understand that where you provide for cancellation at the will of the Government on such short notice some provision has to be made for disposition of the plantations. You just don't ordinarily cancel and then walk off.

Mr. CLEMENTE. Well, my theory in the question was that we are advancing the money, I understand.

Mr. SCHIECK. Yes.

Mr. CLEMENTE. Would there be a severe loss?

Mr. SCHIECK. It could be, sir. If the Congress asked us to cancel and get out right now, you might leave some millions of dollars there. It would not be the economic thing to do because there is value in those growing crops and they should be harvested on a liquidated basis, you see, over a period of time.

Mr. CLEMENTE. You wouldn't cut it off in the middle of the season, even if we asked you?

Mr. SCHIECK. No, sir.

Mr. CLEMENTE. You would recommend that we continue it until the season is completed?

Mr. SCHIECK. We wouldn't anticipate that we would have to get off right now. We always figure that from the standpoint of cancellation we would cancel and then carry on the liquidation of the plantation, which would include harvesting of the standing crops, so long as it was economically feasible to harvest those crops, and then dispose of the machinery and equipment that we had which might on an economic basis take 2 years. This is a perennial crop, you see, and you just don't go in and harvest it all and then replant. It just continues to grow.

Mr. CLEMENTE. I just wanted to understand what the 30 days meant.

Mr. SCHIECK. It just means we call a halt.

Mr. CLEMENTE. Continue the liquidation for years?

Mr. SCHIECK. We might come to this point, and it is valuable in this case: Where we have an uneconomic operation, a plantation that is losing money and there is no point in carrying on, then you would use your 30-day cancellation and get out.

Mr. SMART. You might likewise, Mr. Schieck, come to a situation where the Central American production might become completely competitive with the Philippine production, in which event the Congress itself might want to terminate this contract.

Mr. SCHIECK. They might; yes, sir.

Mr. SMART. Particularly if the price of Philippine abacá went down to the point where the production of Central American abacá was not an economical operation for the Government.

Mr. SCHIECK. And I might add to that: And the national defense did not require this nearby supply.

Mr. SMART. Correct. That is the heart and soul of this bill, because it is a defense objective to have abacá more immediately available to this country if by some unfortunate circumstances we might be denied the Philippine source.

Mr. SCHIECK. That is the heart of this proposed legislation.

Mr. VAN ZANDT. Mr. Chairman.

Mr. DURHAM. Mr. Van Zandt.

Mr. VAN ZANDT. Mr. Schieck, talking about the Philippine Islands, at the present time we are buying, did I understand you to say, about 60,000,000 pounds?

Mr. SCHIECK. I don't know exactly what our purchases are because in those purchases are certain purchases for the stockpile. I know that there is a consumption in this country presently of 80,000,000 pounds. What the stockpile purchases are beyond that figure, I do not know, sir.

Mr. VAN ZANDT. And the entire amount comes from two sources—Central America and the Philippines?

Mr. SCHIECK. That is right, sir, except for a small quantity from Sumatra coming in occasionally.

Mr. VAN ZANDT. A small quantity?

Mr. SCHIECK. Yes, sir.

Mr. VAN ZANDT. And nothing from North Borneo?

Mr. SCHIECK. Not that I know of, sir.

Mr. VAN ZANDT. Is it not true that the production in the Philippine Islands will increase gradually as their economy is strengthened and they recover from the war destruction?

Mr. SCHIECK. We all hope that that will be the case.

Mr. VAN ZANDT. Will that not have a tendency to reduce the price?

Mr. SCHIECK. It might. But there again you come into the question of the rest of the world coming back into the abacá picture. You see, Europe has not been taking as much as it did prewar and other areas, such as Japan, have been unable to buy what they needed. Therefore, you might expect that in addition to the normal prewar consumption there should be certain increased consumption as a result of increased requirements for raw materials that have taken place in all categories over the past 10 years.

Mr. VAN ZANDT. Are you familiar with the conditions in the Philippines?

Mr. SCHIECK. No, sir.

Mr. VAN ZANDT. I was going to ask you just what their crop looks like over there at the present time.

Mr. SCHIECK. I do not have first-hand information. All I have is statistics, and so forth, and not too much of those.

Mr. VAN ZANDT. Assuming that the demand on the part of Europe and the part of Japan and other nations does not materialize, I understand you to say that in 1954, 1955, and 1956 that the production in Central America would reach approximately 60,000,000 pounds; is that correct?

Mr. SCHIECK. May I adjust those figures for you, sir? Perhaps you would like to have them read into the record.

Mr. VAN ZANDT. All right.

Mr. SCHIECK. And these are our best guesses, wind and weather and other things considered.

	<i>Pounds</i>
1950.....	33, 000, 000
1951.....	40, 000, 000
1952.....	45, 000, 000
1953.....	20, 000, 000
1954.....	23, 000, 000
1955.....	29, 500, 000

Now in those 3 years we have given effect to the possibility that the fruit company may recapture 10,000 of the existing 20,000 acres and that during the first 3 years of the period 1950 to 1952, we will have obtained increased production as a result of a butchering or final harvesting operation on those 10,000 acres. And then in 1953, 1954, and 1955, all we would have is 15,000 acres producing. In 1956, the first of the new plantings will be coming in and you have 45,500,000 pounds; 1957, 57,500,000 pounds; 1959, 70,000,000 pounds.

Now those figures are rather optimistic.



MR. VAN ZANDT. I realize that. But I am thinking, while you read these figures, and this great increase of production, what effect is it going to have on the economy of the Philippine Islands?

MR. SCHIECK. I am not an economist. I think that question, sir, could be debated at great length from a great many different people. We are talking about assumptions here. Can we make assumptions in a national defense item such as this? If you make the assumption that there will be plenty of abacá in the Philippines, it still doesn't hit the point of this legislation which is on the point that it be available to us in times of trouble when our sea lanes are threatened.

Further, this availability permits the Munitions Board to carry a lesser quantity in warehouse, which is a costly operation in itself. There is considerable fear that you will not be able to amass the necessary quantity in this critical period in the next few years, when we are most concerned about the situation.

MR. VAN ZANDT. Can this hemp be stored indefinitely?

MR. SCHIECK. My understanding of the present ideas on that line is that it should be rotated every 3 years because it loses in its quality of luster and sheen, and so forth. Whether it takes a loss in tensile strength, I don't know. But the Munitions Board does have this problem. I don't know why, or I don't believe I have any right to be talking about it, but I know of my own knowledge that it is a problem of adjusting this inventory to get industry to use this material when it is usable without the Government taking a loss, because it has deteriorated, don't you see. There is the problem.

MR. VAN ZANDT. That is all, Mr. Chairman.

MR. FARRINGTON. Mr. Chairman. Those figures that you are quoting are for what production? Central America?

MR. SCHIECK. Central American, sir. These are our guesses as to what we would do down there.

MR. FARRINGTON. Mr. Chairman, I have been informed that people of the Philippines are very greatly concerned about this legislation. They feel it will develop serious competition with the production of abacá in the Philippines and weaken the economic ties that we have with that country. I recognize its importance from the standpoint of national defense.

I would like to get a clearer picture of the proportion of total production, what proportion of our consumption the production in Central America represents. You are going to expand the plantations to 50,000 acres. What is the total acreage devoted to the production of this product in the Philippines?

MR. SCHIECK. I do not know, sir.

MR. FARRINGTON. What is their production?

MR. SCHIECK. Offhand, I do not know. There are people here who are fully acquainted with those statistics. I do not have them in my mind, sir.

Roughly, today we are bringing in 25 or 30 percent of our total consumption figure, around, say, 25,000,000 to 30,000,000 pounds against a consumption of 80 to 90 million. I think right now the estimates for this year are 80,000,000 pounds consumption.

MR. FARRINGTON. In other words, one-third of the abacá consumed in this country is imported from Central America?

MR. SCHIECK. Yes, sir.

Mr. FARRINGTON. This contemplates a production of this product that would almost equal the total amount of our consumption. If our consumption at the present time is 80,000,000 pounds a year, then you contemplate a program that will bring the production in Central America up to 70,000,000 pounds, is that correct?

Mr. SCHIECK. Up to roughly three-fourths, you might say, of our present consumption. But that figure is not arrived at until 6 or 7 years from now.

Mr. FARRINGTON. In other words, it would mean the gradual displacement in the American market of the Philippine product by the Central American product.

Mr. SCHIECK. Assuming that our consumption figure remains the same and there is no increase in the purchases for the stockpile, that would be substantially the case. It would seem to me——

Mr. FARRINGTON. What part of Central America?

Mr. SCHIECK. It is grown in Panama, Costa Rica, Honduras, and Guatemala. In other words, you have an expected production here in 1957 of 57,000,000 pounds. Assuming 80,000,000 pounds to be the consumption that year, we have gotten three-fourths, or we have furnished three-fourths of the supply.

Mr. FARRINGTON. What proportion of this product is being used for defense purposes? You are talking in terms of the whole market, are you not?

Mr. SCHIECK. Well, what the Munitions Board purchases on the market, I do not know, sir. But last year——

Mr. FARRINGTON. That is the reason I asked that question.

Mr. SCHIECK. Yes.

Mr. FARRINGTON. What you are talking about is in terms of the entire consumption of the country?

Mr. SCHIECK. I do not know whether or not the 80,000,000 pounds so-called consumption includes purchases by the Munitions Board.

Mr. FARRINGTON. We will assume that is the case.

Mr. SCHIECK. Last year we supplied the Federal Government with about one-third of our population. We produced 30,000,000 pounds and they got about 10 of our 30.

Mr. DURHAM. Mr. Schieck, I think we must not get away from this point of view. Of course, your figures are confidential, as far as the stockpiling figures are concerned. But this whole program is projected on the basis of building up the stockpile, on the basis of the present act: Public Law 520, regardless of this outside consumption. Of course the difficulty we have had: we have been able to get very little into the stockpile because of the fact that the consumer demand has been so great that we haven't been able to build it up. We must not get away from the defense angle of this thing. The whole program is projected on that basis.

Mr. SCHIECK. Not only is it to supply stockpile requirements but it is to permit a lesser holding of fiber in warehouse and permit—in other words, instead of having it in the warehouse, you have it in the ground down there, don't you see.

Mr. DURHAM. In other words, if we would build this up to the present projected stockpile objective, it wouldn't affect the consumption rate from the Philippine Islands one bit because we could take the whole projected program and put it into the stockpile. Of course,

we have the rotation, the agricultural problem and everything else involved here.

Mr. SCHIECK. That is right.

Mr. DURHAM. Are there any further questions?

Mr. HAVENNER. Mr. Chairman. Awhile ago you spoke about deterioration of the crop. That applied to the growing crop, did it?

Mr. SCHIECK. Yes, sir.

Mr. HAVENNER. There isn't deterioration after it is processed and put into storage?

Mr. SCHIECK. Yes, sir; there is, sir.

Mr. HAVENNER. Is there?

Mr. SCHIECK. Yes, sir. There is a deterioration—I am not fully qualified on this point. I only know from discussion that the sheen, the color, and the marketability of the product is affected by long-term storage. It loses its color and becomes drab. Right now I understand that about 3 years is about all they can hold it. They are conducting experiments where they may develop some different ideas on that point. But that is the present situation.

Now the Government has to look to industry to use this product as it is required to be rotated. In order for the Government to get the value out of the product, they have to sell it before it has suffered that deterioration from a marketing standpoint. They have to feed it back into the industry and buy new stuff. That is the problem as it now exists, as I understand it.

Mr. HAVENNER. Then our stock pile, in order to be efficient, could not be more than 3 years old, is that correct?

Mr. SCHIECK. Well, whether or not the tensile strength is affected by long-term storage, which is essentially what the defense requirements will look to—not marketability but the strength, the wearability, serviceability—whether or not those aspects of the fiber are damaged by long-term storage, I am unable to say. I don't know whether that definitely has been decided yet by the experts.

Mr. DURHAM. That, of course, is determined by the Bureau of Standards.

Mr. SCHIECK. And by the consumers who have the problem of making the product and standing behind the product.

Mr. DURHAM. Any further questions?

(No response.)

Mr. DURHAM. Thank you very much, Mr. Schieck.

Mr. SCHIECK. Thank you.

Mr. DURHAM. I believe the next witness is Mr. Mason. Mr. Mason, will you come around?

Mr. MASON. Mr. Chairman, can I have two of my associates come with me to the table, please?

Mr. DURHAM. Bring as many as you want.

Mr. Mason, will you state to the reporter what your name is and who you represent?

Mr. MASON. J. T. Mason, Munitions Board.

Mr. DURHAM. I believe you are going to cover the competitive angle of this, are you not, Mr. Mason?

Mr. MASON. I am going to talk about the inquiry regarding the Philippine economy.

Mr. DURHAM. All right. You have a statement there?

Mr. MASON. Yes, sir, I would like to read a statement.



Mr. Chairman, I am addressing myself to your inquiry regarding the effect of S. 3520 on the Philippine economy. This subject was given considerable thought and investigation by the Munitions Board prior to the preparation and introduction of the bill now before this subcommittee.

The question is fundamentally, whether there is likely to be any adverse effect on markets for Philippine abacá, as a result of the operation of the present bill. Anxiety was expressed that the proposed expansion of Western Hemisphere production might drive Philippine abacá out of United States markets, and hurt the Philippine economy.

Even if this measure were to be substantial disadvantage of Philippine industry, Mr. Chairman, it would still be our duty and responsibility to recommend it, on grounds of our own national security. In the earlier hearing we testified to the wartime need for abacá. This bill goes far to prevent the sad waste of human effort and dollars that took place in World War II as a result of the shortage of abacá. None of us wants any repetition of that wasteful performance.

However, I do not see much merit in the contention that the Philippine economy will be seriously hurt by this legislation. Undeniably, the measure—being in the interests of our own national security—is not intended as a Philippine recovery bill. To the extent that the Philippines still enjoy a virtual monopoly of the production and sale of abacá, this bill provides for a modest reduction of that monopoly.

But even during the decade before World War II, when the Philippines exported more than twice as much cordage fiber as they do today, abacá amounted to only 14 percent of the total value of exports from the Philippines. Of there abacá exports, the United States took less than one-third by value, representing about 4 percent of the total value of all Philippine exports. I consider it improbable that Western Hemisphere abacá could ever totally displace Philippine abacá in peacetime United States markets. Thus, what we are discussing from the long-range point of view, is a very small fraction of the total value of Philippine exports.

The demand for abacá, both in the United States and throughout the world, is highly elastic. The fiber is keenly competitive with lower-grades fibers, such as sisal and hennequin. One cannot in honesty fix a ceiling to the quantity of abacá that we can use in the United States. The quantity depends on the level of our industrial activity, and also upon the relative prices of abacá, sisal and hennequin. Abacá imports by the United States have shown wide variation: In 1929 they amounted to 150,000,000 pounds; in 1935 they were 98,000,000 pounds; in 1936, 84,000,000; and in 1937, 90,000,000. Although postwar imports of abacá have been fairly modest (102,000,000 pounds in 1948 and 105,000,000 million in 1947), the postwar period has been one of scarcities and high prices. In the United States—as elsewhere—this high price of abacá has resulted today in its being nearly priced out of the market for many uses.

In world markets, other than the United States, a further difficulty in the sale of Philippine abacá is the shortage of dollars. To correct this dollar shortage the United States is this year spending billions of dollars through the Economic Cooperation Administration. It is apparent that through the Marshall plan we are thus already doing much to aid the export industries of the Philippines. Under the circumstances of scarcity and high price of abacá and shortage of

dollars, an increase in the supply of abacá available to the world would actually work to the advantage of the Philippines by lowering prices and encouraging greatly expanded consumption of the fiber. It is usual for reduced prices to expand the market greatly for a commodity like abacá. The world market for abacá is almost without limit, if the price is low enough.

With particular reference to the bill before us, it should be recognized that the 50,000-acre provision is a ceiling rather than a floor. This bill was drafted to meet a set of circumstances that prevail at this time. Should these circumstances change markedly while the proposed act is in effect, then the flexibility provided for in the legislation would enable the administrators of the act to accommodate themselves to the changed circumstances. Beyond that, the Congress will be in full and continuous possession of the facts and in full control of the situation.

Thus, should an abundance of abacá become available from the Philippines for purchase by the stock pile at a reasonable price, then the urgency of breaking new ground in Western Hemisphere plantations would be somewhat eased. Conversely, if butcher harvesting in the Philippines takes place extensively, and the spread of mosaic disease continues among major Philippine plantations, the urgency of expanding Western Hemisphere production would be increased.

It is possible within limits to adjust our Western Hemisphere abacá operations to conditions of world production, supply and demand. But more important, we believe that every pound of abacá which will be produced while this bill is in effect will find a ready customer. It always has. Any increase in the production of abacá is certain to result only in the displacement of inferior and less efficient substitutes.

We believe this bill must be viewed and should be enacted as a national defense measure. But we do not expect the Philippine economy to be at all seriously hurt by its operation. That is all I have, Mr. Chairman.

Mr. DURHAM. Any questions?

Mr. FARRINGTON. I would like to ask if the point you express with regard to the effect of this legislation on the Philippine economy is shared by the leaders of the Philippines?

Mr. MASON. I don't know, sir.

Mr. FARRINGTON. That is your appraisal of the problem, rather than their own?

Mr. MASON. That is right.

Mr. VAN ZANDT. Is the position of the Munitions Board shared by the State Department?

Mr. MASON. It is shared by the State Department.

Mr. DURHAM. I wish at that point—we had a letter the other day from the State Department. Do you happen to have a copy of that letter?

Mr. NIEDERLEHNER. Yes, sir. There was transmitted to the committee a copy of the Department of State letter. This letter was written in response to an inquiry by the Philippine Government and is addressed to the Philippine Ambassador, Mr. Elizalde.

Mr. DURHAM. At this time I want to include in the record the letter I have received from the State Department, the two notes from the

Philippine Ambassador to the State Department, and to ask that you read the response of the State Department to those notes:

JULY 10, 1950.

The Honorable CARL T. DURHAM,  
*House of Representatives.*

MY DEAR MR. DURHAM: In accord with the request of the Ambassador of the Philippines, I take pleasure in transmitting to you herewith copies of the Ambassador's notes to the Secretary of State under dates of June 26 and June 30, in which the Ambassador commented on H. R. 8531, to strengthen the common defense by providing for continuation and expansion of Western Hemisphere production of abacá by the United States. I am also enclosing for your information and that of the committee a copy of the Department's note in reply to Ambassador Elizalde.

Sincerely yours,

JACK K. MCFALL,  
*Assistant Secretary.*

EMBASSY OF THE PHILIPPINES,  
*Washington, D. C., June 26, 1950.*

His Excellency DEAN ACHESON,  
*Secretary of State.*

EXCELLENCY: I have the honor to refer to bills S. 3520, introduced by Senator Millard E. Tydings, of Maryland, and H. R. 8531, introduced by Congressman Carl Vinson, of Georgia, to strengthen the common defense by providing for continuation and expansion of Western Hemisphere production of abacá by the United States and to state the views of the Philippine Government on the proposed legislation.

My Government views with serious concern the plan for the extension and increase of the abacá (manila hemp) production in Central America as envisioned in the above-mentioned bills now before the Congress.

Under the present circumstances, the Philippine Government cannot conceive that the United States Government would finance an abacá production development project which inevitably would in the future become a serious competitor and certainly a menace to the stability of the abacá (manila hemp) industry of the Philippines. Historically this industry was developed and expanded in the Philippines upon the suggestion and encouragement of the United States.

My Government is not thoroughly informed of the plans which are being evolved in connection with this project except what appear in the bills themselves. It does not know whether the purpose is merely to provide a reserve of abacá (manila hemp) in the Western Hemisphere mostly in the form of plantations which would be stripped only for maintenance and operated to a maximum just in the event of an extreme emergency or whether it is intended to plant abacá in this hemisphere to produce fully and enter the field of commercial competition through intensive cultivation and development. We feel it is important for us to know at this time whether the United States proposes to finance a competitive and purely commercial undertaking to the detriment of the Philippines. Our information is that only 15,000 acres of the original 25,000 acres planted to abacá in this hemisphere remain in cultivation, and that 10,000 acres are now being butchered and converted to fruit plantations. And yet, the new program as outlined in the proposed legislation provides for the clearing of an additional 35,000 acres of jungle land for planting to abacá.

The experiment in Central America has shown that in the Western Hemisphere there is, in general, neither sufficient nor suitable land, neither experience nor labor, to produce abacá in adequate quantities, of good grades, and at commercial prices. Everything indicates that when prices of abacá (manila hemp) becomes stabilized at around their prewar levels, the Western Hemisphere project would undoubtedly cause enormous losses to the United States Government and could never, under normal circumstances, be maintained as a business except artificially. In looking to the future of abacá (manila hemp), one cannot certainly expect that prices will remain at their present level.

For new plantings of abacá in the Western Hemisphere to be brought to full, commercial development, at least 5 years will be needed. Hence, the stockpiling program sought to be implemented by the bills above referred to, what-



ever be the form such program would assume, would not become effective until after the lapse of said period of 5 years.

On the other hand, approval of these bills in their present form would be disruptive of the normal world abacá trade, because notwithstanding the recognition in section 2 of the identical bills that abacá "is a highly strategic and critical material" and is "vital to the industrial and military requirements for the common defense of the United States," and the declaration therein that "it is hereby to be the policy of the United States to encourage abacá production" the proposed legislation limits to the Western Hemisphere the aid and assistance which it provides for the development and maintenance of abacá production. My Government is deeply apprehensive over the effect which the measure under consideration would have on our abacá industry, because with the threat of the Western Hemisphere production, even if such production would not reach full development until after 5 years, we would be discouraged from further rehabilitating abacá plantations destroyed as a result or as an aftermath of the war or from further development of the new areas already committed for its cultivation.

Statistics show that the Philippines has during the last 50 years provided over 95 percent of the abacá requirements of the United States and of the world. It was practically the exclusive supplier of abacá for the United States market, providing almost all of the needs of this country before 1941. Prior to World War II, and during a period of 40 years, the abacá industry in the Philippines had reached an average production of over 200,000 short tons a year as the following figures will show:

10-year period:	<i>Average production in short tons</i>
1900-10-----	144, 206
1911-20-----	158, 655
1921-30-----	174, 386
1931-40-----	219, 906

If at present there is a world shortage of abacá, it is because the production of this fiber in the Philippines has not returned to prewar normal levels. Excessive stripping immediately after the liberation as a result of emergency demand from the United States Government and from United States industries soon after the war is in part responsible for this situation. The Philippine Government has, since liberation, exerted its utmost efforts toward the rehabilitation of the industry, directly appropriating funds for this purpose. It is important to note that in the rehabilitation of the abacá industry, the Philippines has not received any direct aid from the United States.

A comprehensive and intelligent program to restore world production of abacá in order to meet all demands including stock-piling should not overlook the necessity of rehabilitating the Philippine abacá industry first. Philippine production in 1950 is estimated at 100,000 short tons which is 55 percent of prewar. This, however, represents 19 percent over that of 1947 and 18 percent over that of 1948. With proper encouragement and adequate financial assistance, the efforts of the Philippine Government toward the rehabilitation of the industry would in 2 to 3 years bear fruit in increased production of abacá, the Philippines having the right kind of soil, favorable climate, and experienced labor, the three essential factors in the successful production of this staple. With the advantages that the Philippines has over Central America in land, climate, and labor for abacá production, the wise policy to be followed from the viewpoint of stock-piling would be to intensify abacá production in the Philippines immediately.

It may be pointed out that with regard to stockpiling, abacá (manila hemp) could be stored for a period of 3 years without affecting the superior qualities of the fiber. The acute shortage of abacá (manila hemp) during World War II was mainly due to the absence of an adequate stockpiling program before the war. If there had been such a program, the abacá industry of the Philippines could have provided all the fiber necessary for the purpose, as it can do so now with adequate financial assistance before another war takes place.

The statement in the proposed legislation of United States' intent to grow upon and produce abacá from a maximum of 50,000 acres in the Western Hemisphere, which production, if attained, would supply 75 percent of the United States requirement, without any indication, direct or indirect, of a like intent on the part of the United States Government to aid and assist in the rehabilitation of the abacá industry in the Philippines, would discourage the rehabilitation of that industry in my country and would stop further investments in it. This would defeat the purpose of the measure and, furthermore, result in major dis-

location of one of the principal industries upon which the national economy of the Philippines is founded and upon which millions of people in the Philippines depend for their livelihood. It would also aggravate the balance of payment difficulties of the Philippines by drastically reducing one of its main sources of export revenue, a result which is contrary to every motivation behind all the measures taken by the United States Government after the Second World War in aid of Philippine rehabilitation and development.

At the hearings in the House Armed Services Committee, the impression was conveyed that the stockpiling of abacá (manila hemp) from Central America could be started at once. This is contrary to reality. The fact is that at the most, the only possible stockpiling from this source will be from 15,000 acres now in production after the other 10,000 acres have been diverted to other uses. Therefore, contrary to the suggestion made to the committee, the new acreage of 35,000 acres will not be in production until after 5 years and would thereby be useless for stock-piling purposes in the immediate future.

Finally, it may not be amiss to state that under the mutual protection agreement between the Philippines and the United States, the two countries have committed themselves to aid one another for the common defense and mutual security. The impairment of the national economy of the Philippines as the inevitable result of the proposed legislation would endanger the security of the Philippines, for it is self-evident that a disrupted economy would be a fertile source of local disturbances affecting public peace and order.

Noninclusion of the Philippines in any abacá development program at this stage will be pointed out by anti-Government elements as an indication of a diminishing interest in, and possibly eventual withdrawal from, Philippine economic rehabilitation on the part of the United States. On the other hand, specific inclusion of the Philippines in such a program would be strong evidence of continuing United States economic assistance to the Philippines, and would boost confidence in the future economic stability of my country. It would induce local and foreign capital to invest in the expansion of the abacá industry. It would also demonstrate concrete implementation of the point 4 program, thereby increasing the United States prestige in the Far East. And yet abacá expansion in the Philippines need not be a financial burden on the American Government because such an enterprise could be self-liquidating.

Moreover, only a little over 2 months ago, the Philippines undertook, when it qualified for military assistance available under the Mutual Defense Assistance Act of 1949, to facilitate the production of raw and semiprocessed materials required by the United States. The disruption of the abacá industry in the Philippines as a result of the proposed legislation would run counter to the evident intention on the part of the United States when it obtained a commitment from the Philippines to furnish materials to the United States essential to national defense, as abacá is, and for the production of which natural conditions in the Philippines are peculiarly suited.

My Government is disturbed over the possibility that whenever a certain commodity is declared to be a critical war material in short supply in the United States, Your Excellency's Government would engage in actual production of such commodity in the Western Hemisphere on the ground that such a measure would be essential to the national security of the United States, discouraging thereby its production in areas where it is indigenous and which have been the traditional producers of such product. If this program were pursued with respect to abacá, there is nothing that would prevent a like program with regard to jute for bags, teak for shipbuilding, coconut for soap and glycerin, and many other tropical commodities for defense purposes. Without considering the disruption which such a policy would cause to the world economy and the effect which it would have on the announced program of the United States Government for the development of underdeveloped areas and the principles enunciated in the proposed charter for an International Trade Organization, which are all intended to encourage the production of commodities by countries where natural conditions are best suited for the purpose, such a program would involve huge unnecessary cost to the United States Government and would violate and infringe upon the principle of free enterprise which underlies the American system.

The project under consideration necessitates the clearing of wide areas of jungle land at enormous expense to the United States Government. By your Government's past experience as already indicated above, the areas so cleared, not being suitable for an efficient and economic production of abacá, will eventually be returned to other uses, which must account for the interest shown by



some entities in the approval of the bills under consideration. In the case of the Philippines, this huge expense on the part of the United States Government is not necessary. Abacá lands in the Philippines do not have to be reclaimed from the jungle, but are already available for planting and production within a short time.

The expansion of the Central American project as contemplated in these bills is a matter of serious concern to my Government, because while the Philippine abacá industry could stand competition from all sources, especially from those in this hemisphere, in a free market, it has been observed that the Central American project since it is a government enterprise, operated not for profit, sells its fiber through RFC bids at the highest price offered, regardless of the cost of production. In this manner, interested parties in the United States have succeeded in the past in buying fiber at substantially lower prices than those for which Philippine abacá could be obtained.

It would be greatly appreciated if Your Excellency could use your good offices so that the foregoing views of the Philippine Government on S. 3520 and H. R. 8531 could be transmitted to Congress. It would likewise be deeply appreciated if, before any further consideration is given to the bills under reference, my Government could be given full opportunity to submit a plan which, conforming to the above views, would provide an adequate supply of abacá (Manila hemp) to the United States and to the world within a short period of time.

I would be grateful for any attention which Your Excellency might give to this matter which is of grave importance to the Philippine Government.

Accept, Excellency, the renewed assurances of my distinguished consideration.

J. M. ELIZALDE.

EMBASSY OF THE PHILIPPINES,  
Washington, D. C., June 30, 1950.

His Excellency, DEAN ACHESON,  
*Secretary of State.*

EXCELLENCY: I have the honor to refer to my communication to you of June 26, 1950, concerning bills S. 3520 and H. R. 8531 providing for abacá production by the United States in the Western Hemisphere and beg to submit additional information and data which I have just received from the Philippines. The latest report of the Philippine Fiber Inspection Service shows that the balings for the first 5 months of 1950 amounted to 42,115 short tons (301,897 bales) as compared with 33,370 short tons (239,217 bales) produced during the same period last year. It will thus be seen that production of abacá in the Philippines for the first 5 months this year has increased by 8,735 short tons (62,618 bales) or 26 percent over that of last year during the same period. On the basis of these figures and the current trend of production, the 1950 abacá production of the Philippines is estimated at 110,205 short tons (790,000 bales), representing 35 percent over the 1948 production and 43 percent over that of 1949.

The production of Philippine abacá during the postwar period compared with prewar levels is as follows:

*Philippine abacá production*<sup>1</sup>

Year	Bales	Short tons
1934-38.....	1,334,555	186,170
1946.....	394,576	54,764
1947.....	796,194	111,069
1948.....	586,608	81,831
1949.....	554,586	77,364
1950.....	2 790,000	110,205

<sup>1</sup> Source: Baling reports of the Philippine Fiber Inspection Service.

<sup>2</sup> Based on January-May 1950 balings.

At the hearings on the two afore-mentioned bills before the Armed Services Committee of the United States House of Representatives on June 20, 1950, an impression was made that Philippine production of abacá continued to decrease. The figures stated above disprove this assertion and corroborate the statement I made in my previous communication to Your Excellency that given the necessary assistance the Philippine abacá industry could immediately increase its production to meet not only the needs of the United States Government for stockpiling



and of private consumers in the United States, but also the requirements of other countries.

In presenting our viewpoints to the proper agencies of the United States Government I would therefore deeply appreciate it if you could include the foregoing statements in addition to those I have already submitted in my communication to Your Excellency of June 26, 1950.

Accept, Excellency, the renewed assurances of my distinguished consideration.

J. M. ELIZALDE.

Mr. NIEDERLEHNER. Yes, sir. This is dated July 10, 1950:

EXCELLENCY: I have the honor to acknowledge receipt of your notes of June 26 and June 30 in which you comment on legislation now pending in the Congress of the United States which would authorize the continuation and expansion for defense purposes of abacá production in the Western Hemisphere.

Your Excellency states that the Government of the Philippines views with concern an increase of abacá production in the Western Hemisphere on the grounds that it would in the future become a serious competitor of the abacá industry of the Philippines. You raise the question as to whether the purpose of the proposed program is to provide a reserve of abacá in the Western Hemisphere in the event of emergency or whether it is proposed that the United States Government finance a purely commercial undertaking to the detriment of the Philippines.

I am pleased to assure you that the program of abacá production in the Western Hemisphere contemplated under the legislation now pending in the Congress of the United States is in no sense intended to be competitive with the abacá industry of the Philippines. It is not intended that this production would interfere with normal world trade in abacá. It is rather a measure which has been recommended on the grounds of the national security of the United States, based on the fact that experience has proved that abacá can be grown practicably and economically in the Western Hemisphere. It is to be noted that the authorization in the legislation is permissive rather than mandatory, and it is the understanding of the Department of State that any expansion which may occur in the Western Hemisphere will be initiated as the needs of national security dictate.

It is perhaps pertinent to point out that the purpose of this legislation is not to provide additional abacá for immediate stockpiling purposes but rather to make available a continuing quantity for essential uses which would be easily accessible to the United States in time of emergency and which would provide a supply in being in addition to that being held in strategic stockpiles. It is unfortunately a fact that world abacá production is still far below prewar figures. This Government notes with satisfaction that abacá production is now rising in volume, but it is not expected to reach the prewar level unless there should be a further increase in the major producing areas.

In view of the intimate collaboration of our two Governments in so many fields of endeavor, I need hardly assure you of the very genuine interest of the Government of the United States in the continuing rehabilitation and increase of abacá production in the Philippines. The Republic of the Philippines has been and is today by far the largest single source of abacá. There is every indication that it will continue to provide the major portion of United States imports of abacá, both for industrial and for stockpiling purposes. It is the sincere hope of this Government that abacá production in the Philippines will continue to increase. If outside assistance should be found essential, I am confident that friendly consideration will be given to finding means to implement that need.

This Government would, however, be remiss in its duty if it did not take all reasonable and adequate precautions on behalf of the national security. May I reiterate that, as has been indicated in detail in the hearings before the Armed Services Committees of the United States Senate and House of Representatives, it is on security grounds that the current legislation is being considered.

Accept, Excellency, the renewed assurances of my highest consideration.

Mr. DURHAM. Right at this point, I think it is well to put into the record the production prior to World War II in the Philippines, which was 400,000,000 pounds. That is 1935 to 1938. The production of abacá in 1949 was 160,000,000 pounds in the Philippines; Central America, 30,000,000 pounds; and Sumatra, 6,600,000 pounds. So the

production at the present time is running somewhere near 50 percent of what it was prior to World War II; is that correct, world wide?

Mr. MASON. Yes, sir.

Mr. DURHAM. So that creates a world-wide shortage. That is what we are trying to supplant with this legislation.

Mr. FARRINGTON. May I ask how long it takes to bring a plantation, if that is the basis upon which you produce abacá, into production?

Mr. MASON. Mr. Peterson has just come back from there, about a month ago. Mr. Peterson, will you answer that question, sir?

Mr. PETERSON. After you get the plantings in the ground, it takes about 3 years before you begin to get a harvest. How long it takes before you get the plantings in the ground: that will depend on when you get the authority, surveys you have to make in the field, arrangements with the governments and all that. That might take 6 months to 12 months; I don't know. But after the planting, you can count on a yield in 3 years. To attain its maximum yield, 5 years. Then it will tend to level off.

Mr. FARRINGTON. What are the prospects for the restoration of production in the Philippines to the prewar figures that the chairman just quoted.

Mr. PETERSON. Well, the production there has been going down, down. In 1949, as the chairman indicated, it was at a very low level compared to prewar, in fact less than half, in the Philippines.

Mr. FARRINGTON. Well, has the production been increasing since the conclusion of the war?

Mr. PETERSON. No; it has been going down, repeatedly; 1949 was the lowest point there.

Mr. ARENDS. Why? Is there any good reason?

Mr. PETERSON. Well, there are several reasons, as I understand it. I haven't been to the Philippines and am not an authority on that subject. But for one reason, production was high in prewar when the Japanese had primary control over the Davao area production. It was on a commercial scale. They developed it very well there. During the war production dropped rapidly. Plants were neglected. After the war I understand a good many people came into that area, refugees and others. They were most concerned about getting something to eat and wanted to plant food crops at that time. Then there has been this factor of mosaic disease that has been hitting a good many of those areas and hurting production. I understand there has been relatively little planting, but some evidence of increased planting of late.

The land reform was another factor there, that seemed to be a deterrent to any large-scale operation. But there is some evidence that has come to my attention that production may be somewhat higher in 1950. Maybe we have hit the low point in 1949.

Mr. FARRINGTON. Mr. Chairman, I would like to say by way of explaining my inquiries, I recognize as fully as anyone the importance of taking such measures as this for reasons of national security. We have to sustain our supply of this essential product. But I think the fullest consideration should be given from the standpoint of national security also, of the influence this might have upon the economy of the Philippines and the attitude of the people of the Philippines. I think for reasons of national security that it is very important that we give that the utmost consideration.

Mr. DURHAM. I believe the Senate——

Mr. FARRINGTON. I think their abacá industry should be developed and promoted and protected in every possible way so that the economic, as well as the political ties of this country and the Philippines be strengthened.

Mr. DURHAM. Well, certainly we want——

Mr. FARRINGTON. I do not want to see anything that is going to weaken them, particularly under present conditions.

Mr. DURHAM. Certainly I think it is the desire on the part of Congress and everybody involved in this problem that we try to solve this problem on that basis.

If you will notice on page 2 of the Senate bill, they inserted some language on line 6. It states, "To encourage abacá production throughout the world." That language is broad enough protection. Some say it is and some say it is not.

But the thing that impresses me is the fact that here is a situation where we consumed 400,000,000 pounds in 1935 to 1938 on a yearly basis and today the world production is 196,000,000 pounds, and the effort that we are making which will add only an over-all total, provided the project is very successful, of about 60,000,000 pounds over a period of 7 years. You have a disparity there of approximately 200,000,000 pounds, in which the economy of the Philippines can operate because certainly today we are willing to buy. The Munitions Board is in that position, wanting to buy and trying to buy every day, aren't you?

Mr. MASON. We are; yes, sir.

Mr. DURHAM. I know you are making great efforts to purchase it.

Mr. ARENDS. Are there any available supplies in the Philippines at this particular time?

Mr. PETERSON. Oh yes. It is coming all the time from there.

Mr. ARENDS. It is coming all the time. But I mean, no storage or anything else?

Mr. DURHAM. You are taking all that is being offered to you today, are you not?

Mr. MASON. We are buying all that is being offered.

Mr. DURHAM. Buying all that is being offered?

Mr. VAN ZANDT. Has our Government in any way assisted the Philippine Government in the restoration of their hemp industry?

Mr. PETERSON. Their abacá industry has been helped through ECA, I would say. Many European countries have asked ECA for purchase authorizations for Philippine abacá. Many have been granted.

Mr. VAN ZANDT. Well, is the assistance in dollars and cents, or are we sending our knowledge over there that we must have to help them correct the disease that is apparently retarding the development of the industry to a prewar basis?

Mr. PETERSON. Yes. Dr. Reinking from Cornell, an expert on that disease, has been over there and I think is at this time.

Mr. VAN ZANDT. I am wondering if the witness has information as to what extent substitutes have been developed to take the place of hemp?

Mr. MASON. Sir, there are some gentlemen from industry that could answer that question very well and do a much better job than we could. I suggest you hold that question for them. I am sure they will answer that adequately.



There was a point raised a while ago, I think when Mr. Schieck was testifying, on that 80,000,000 pounds consumption. I wanted to make clear that that is industry consumption and that does not include the stockpile. I wanted to make sure that that point is clear.

Mr. DURHAM. It does not include stockpile. Eighty million pounds domestic consumption.

Mr. MASON. It does not include stockpile.

Mr. DURHAM. I tried to make that clear in my statement.

Well, speaking on the economic effect, that the Philippines feel that there is probably some motive in this legislation that might eventually affect their economy, provided the Congress places safeguards in this legislation so it puts Congress in the picture and the President so we can readjust this if you get to a point—certainly we do not want to get into business. It is not the idea of the Government to start any socialized schemes. It is just a question of national defense we are faced with. Doesn't the Munitions Board agree that we will be in a position so if we got to where it was seriously affecting the economy of the Philippine Islands we could adjust this thing very quickly?

Mr. MASON. Yes, sir; I think it could. I think it should be watched very closely and I think it will be watched very closely.

Mr. DURHAM. If the Munitions Board had a stockpile during national defense, I think they would come to us and say we were in position to make an adjustment if it got to a point where the Philippine economy was being harmed.

Mr. MASON. There is no intention in any way on the part of the Munitions Board to do anything to harm the Philippine economy. The idea is purely one of national defense, to get something that we need. And we feel that we need it badly and every day that goes by we are losing time.

Mr. DURHAM. Thank you very much.

Mr. MASON. Very well.

Mr. DURHAM. Is there anybody here that would care to testify this morning? I believe this ends the scheduled witnesses.

Mr. McDANIEL. Mr. Chairman, I would like to comment, merely to try to clear the record, with respect to one or two things which the previous witnesses have testified to. My name is J. S. McDaniel.

Mr. DURHAM. I believe you testified a few days ago before the committee.

Mr. McDANIEL. I testified before; yes.

For the benefit of members of the committee who were not at the previous hearings, for 30 years I was secretary of the Cordage Institute, the trade association of the United States cordage manufacturers. Since March—I resigned from the Institute in March to devote my full time to rehabilitation of Philippine abacá.

The production of Philippine abacá in 1950, based on the first 6 months of this year, will be 800,000 bales, or roughly two-thirds of the prewar production. I don't believe that figure got into the record clearly.

Mr. DURHAM. What assurance do you have of that?

Mr. McDANIEL. That is based on the official Government figures for the first 6 months.

Mr. ARENDS. What about the estimates for the second 6 months?

Mr. McDANIEL. Well, the best information that the committee could get: if they will ask the Department of Commerce for the offi-

cial reports of our consular agents in the Philippines, particularly recent ones, and particularly restricted reports, I think the committee will get perhaps the best idea that way. The people in the Philippines look for a larger production the last 6 months than the first 6 months. Frankly, I do not. I think they have been overstepping, and my guess would be that this 800,000 bales will not be met this year. I would put it closer to 700,000 bales, myself, based on my experience.

The second thing: it was testified by Mr. Shieck—

Mr. DURHAM. Are you at the present time in the importing business, Mr. McDaniel?

Mr. McDANIEL. No; I am at the present time trying to help get financial aid from the United States Government for Philippine abacá rehabilitation.

Mr. DURHAM. I believe you stated that the other day.

Mr. McDANIEL. While I was employed by the institute—

Mr. DURHAM. Is that for the Philippine Government or is that a private operation?

Mr. McDANIEL. That will be private operations. Because the President of the Philippines and myself and others in the Philippines have agreed that the best rehabilitation will come about through private enterprise and not by government operation.

Mr. DURHAM. Do they lack funds over there for the development of this?

Mr. McDANIEL. Yes. You cannot get into foreign areas like the Philippines I doubt more than 20 percent equity capital, to go into a product like abacá where you have to sit back at least 2 years to wait for an exportable item.

Mr. DURHAM. In other words, there is nobody there that will furnish private capital?

Mr. McDANIEL. We can get and have gotten for one large operation which will require \$5,000,000, which is already under way, about \$1,000,000 private capital. That is going to require \$4,000,000 additional capital financing to carry on the project.

Now that is merely a beginning. It is estimated that there will be required something like five times that particular operation. I am quite certain that that money will have to come from some agency like the Export-Import Bank, if Philippine abacá is to be readily obtainable. The Philippine Government does not have the money itself. What money they do have will probably have to go to the smaller plants.

Incidentally, someone asked how important was this to the people of the Philippines. In 1938 there were 155,000 farms, with approximately 700,000 acres planted to abacá in the Philippines. Now that 700,000 acres is not comparable to the twenty-five or fifty thousand concentrated plantings in Central America. In the northern areas of the Philippines, where about 50 percent of the fiber is produced, the farms probably do not average over 10 to 25 acres apiece. In getting at the census figures, in developing this 700,000 acres, why they probably add a lot of acreage which is not planted in abacá.

There are approximately 800,000 Filipinos, of a total population of 16,000,000 who are dependent upon abacá as their sole source of cash income. Every President of the Philippine Commonwealth and

Republic has agreed with me that abacá is one of the most essential crops grown in the Philippines.

When you testify that abacá is only 14 percent of the total exports, that is a way of confusing the issue. It was second in seven out of the last 10 years of the exports of the Philippines dollar value. That is an important thing to sustain in their economy.

This matter of deterioration was touched on. The industry has had little experience with the deterioration of abacá fiber under proper storage. Pre-World War II, the industry had plenty of fiber available and they would like to use it up within 1 year if possible. Actually, during the war we used fiber that was 10 years old, relatively small amounts. It made an entirely satisfactory product.

As I testified before, I believe that fiber under proper storage would probably deteriorate 5 percent in tensile strength. But there is no laboratory or practical experience in connection with that, except the experience gained in World War II when we did use fiber which was many years old and glad to have it.

A question was asked as to what help the United States Government has rendered to the Philippines. I was called to the Philippines in 1944, several weeks after MacArthur landed, to try to get fiber out for war purposes. Since that time I have been running around working my head off to try to get our Government to help the Philippine abacá industry. The answer is, gentlemen, they have done nothing up to the present time—absolutely nothing. The fact that Dr. Reinking, probably one of the best pathologists that we know in this particular field, went over there a few months ago with a couple of other men on the theory of telling them how to do this: That isn't the type of help that they need. The type of help they need is some dollars. And where they can put 100 percent into Central America, they could have put 70 or 80 percent of the required capital into the Philippines and the Government could have regained all of that money by now and not have a \$12,000,000 deficit still hanging over them. They could have regained it all in the price of abacá that the Government itself is buying. It is costing the United States \$30,000,000 annually today because of the high prices of abacá. Fifty percent of that is borne directly by the United States Government in the purchases of the stockpile, the procurement authorizations to ECA, and the SCAP purchases for Japan, and the direct purchases of cordage by the Armed Services. The remaining 50 percent of the \$30,000,000 is borne roughly 50 percent by the farmers of the United States, in the high price of baler twine and binder twine and reflecting the high prices of fiber, and the balance by general industry, commerce, and maritime.

Mr. ARENDS. Mr. McDaniel, do you have opposition to the passage of S. 3520?

Mr. McDANIEL. I do not.

Mr. ARENDS. You do not?

Mr. McDANIEL. I believe this bill should pass, but I believe it should pass doing as little as possible to hurt the Philippine Islands. I have advocated Central American abacá. I was party to bringing it over here in the first place. The day after Pearl Harbor I was down at the RFC at a conference with the fruit company, urging them to expand it as rapidly as possible.

Mr. ARENDS. You think we should go ahead with this project?



Mr. McDANIEL. I think you should go ahead with this bill, but I think it should be done in such a manner as to realize that you are hurting the Philippines and hold the hurt there to the minimum.

Mr. ARENDS. Oh, it certainly isn't done to hurt them.

Mr. McDANIEL. Now, it was testified in respect to the 70,000,000 pounds expected in Central America by 1959. The actual experience in Central America has been this, keeping in mind that this was experience based on little or no knowledge of how to grow it down there by the people who were doing it. 1942—these are in thousands of pounds—900; 1943, 2,800; 1944, 10,400; 1945, 21,900.

In other words, within 4 years from the time they started to plant they reached two-thirds of their production. Therefore, if they expect a maximum in the future of 70,000,000 pounds by the end of 1953, if they do their job right, they should have roughly 45,000,000 pounds being produced. And 45,000,000 pounds will very definitely hurt the Philippine economy. Nobody could argue, if you grow it down there and do not grow it in the Philippines, that the Philippines do not have that much less to export.

Mr. DURHAM. Thank you very much, Mr. McDaniel. I appreciate your statement.

There are no further witnesses—

Mr. GOBLE. Mr. Chairman, may I have permission for Mr. Tierney to accompany me?

Mr. MASON. Mr. Chairman, these people represent private industry, and there was a question regarding substitutes that was unanswered.

Mr. DURHAM. I believe you appeared before the committee the other day?

Mr. GOBLE. Yes, sir.

Mr. DURHAM. Whom do you represent?

Mr. GOBLE. I represent the Wall Rope Co. and I am chairman of the Cordage Institute Fiber Committee.

Mr. TIERNEY. Raymond M. Tierney, counsel for Cordage Institute.

Mr. DURHAM. All right, you may proceed.

Mr. GOBLE. Mr. Chairman, I would like permission to read a telegram from Mr. Brewster, who appeared, you will remember, at our previous hearing.

Mr. DURHAM. Who is Mr. Brewster?

Mr. GOBLE. Mr. Brewster is president of the Plymouth Cordage Co. and adviser to the National Security Resources Board.

Mr. DURHAM. All right. Proceed.

Mr. GOBLE (reading):

Sorry cannot attend hearing Tuesday. If I were to appear I would say I believe the best and only practicable way of providing abaca for national security is by passage of bill and taking action it contemplates. Concern expressed as to harm to Philippines seems to me to be unwarranted. Believe there is ample room for continued and expanded production in the Philippines and I hope this will take place. The cordage industry without question regards the islands as the major source of abaca supply now and in the future, and our relationship has been cordial and long standing. Protection of national security by production in this hemisphere will avoid the accumulation of stockpile of unmanageable proportions with the attendant constant threat to the maintenance of a reasonable price and market demand and this is of advantage to the Philippines. Furthermore, the President is authorized to terminate activity before the end of 10-year period if desirable. Hope the bill will pass promptly.

ELLIS BREWSTER,  
Plymouth Cordage Co.

Mr. DURHAM. Does that complete your statement?

Mr. GOBLE. I have a statement of my own here that I would like permission to read.

Mr. DURHAM. All right.

Mr. GOBLE. It has been our understanding since the inception of this program that it was solely and exclusively a matter for the national defense and that any matter of aid to the Philippines' economy would necessarily have to be dealt with as a separate question by appropriate legislation. The possible effect of the Western Hemisphere program has at all times been held in consideration. Our industry will be happy to see such aid extended to the Philippines.

It will be 2 or 3 years before new production either in the Western Hemisphere or the Philippines can come into production. It seems to us that the next 2 or 3 years may be highly critical. Production in the Western Hemisphere will certainly, therefore, seem to be a better hedge for defense.

It seems to be indicated or insinuated that a production of say 70,000,000 pounds of abacá in the Western Hemisphere would satisfy closely the demand of the United States of America for fiber in peacetime. In fact—

Mr. DURHAM. That would only apply to domestic consumption. That wouldn't apply to national defense at all.

Mr. GOBLE. That is so, sir. In fact, in any case the industry would in all likelihood not use much more than its present proportions of Central American fiber.

Our trade, or our customers, are accustomed to a piece of rope having a certain appearance. That appearance conveys to them a standard of usability and they look for that appearance in a piece of rope. A piece of rope made entirely of Central American fiber, while being a perfectly good piece of rope, does not have the sales acceptability of the Philippine rope or a mixed rope.

Accordingly, we would still, as an industry, take the large proportion of our consumption from the Philippines at all times on a peacetime basis.

The prewar production of abacá in the islands was about 1,200,000 bales. Last year it was 513,000 bales. Production in the Western Hemisphere last year was in the neighborhood—

Mr. DURHAM. How many pounds is in a bale?

Mr. GOBLE. Two hundred and seventy-five pounds. Last year the production in the Western Hemisphere was 100,000 bales, for a total production, leaving aside the small amount from Sumatra, of say 613,000 bales. That compares with a prewar production of 1,300,000 bales. In other words, we are barely up to half of prewar supply.

There can be no question whatever that the usage or the consumption of abacá would increase with its greater availability and a lower price for it.

Mr. DURHAM. How does it compare with the price of sisal today, and the other cordage fibers?

Mr. GOBLE. Abacá: The market today is, let us say, around 24 cents a pound. Sisal fiber has various prices, depending on its origin, but let us say that it averages 15½ cents a pound.

Mr. DURHAM. It is about 50 percent as efficient as abacá; is that correct?

Mr. GOBLE. It is approximately 75 percent as efficient.

Mr. DURHAM. Now the other one—hennequin.

Mr. GOBLE. Hennequin is today approximately 111½ cents—11¼ to 11½ cents.

Mr. DURHAM. And that is what percentage, as far as durability, in comparison with abacá?

Mr. GOBLE. It is scarcely a rope fiber as such. It is a twine fiber. A hennequin rope is an inferior article beyond question.

Mr. DURHAM. All right. Now how about jute?

Mr. GOBLE. Jute has a strength factor of—

Mr. DURHAM. What is the price of jute?

Mr. GOBLE. Jute is today, let us say, 17 cents landed here.

Mr. DURHAM. Can jute be used for rope at all?

Mr. GOBLE. It can be used and was used for making rope during the last war. It is a very inferior article. It does not have the necessary strength factors and safety factors in it.

Mr. DURHAM. How about the lasting qualities? What about the durability?

Mr. GOBLE. It has very poor durability, indeed.

Mr. DURHAM. Does that complete your statement—

Mr. VAN ZANDT. May I ask him a question?

Mr. GOBLE. Yes, sir.

Mr. VAN ZANDT. To what extent have substitutes taken the place of hemp products?

Mr. GOBLE. In this country, do you mean?

Mr. VAN ZANDT. Yes; this country.

Mr. GOBLE. To a relatively small extent in this country, inasmuch as we are a dollar country and can afford to buy abacá. Relatively little sisal rope is used in this country. About 25,000,000 pounds would be the total of it, as against approximately 80,000,000 pounds of hemp rope.

In the world in general, however, there has been an enormous substitution of sisal for hemp, for the reason that the world is short of dollars and has not been able to afford either the dollar or the price.

Mr. DURHAM. How does cotton rope compare with these fibers?

Mr. GOBLE. Cotton rope is used essentially for rope drive purposes. It is not commonly usable at all for ordinary hauling, for manipulating purposes. It is a rope that is well adapted as a belt.

Mr. DURHAM. I know it is not used for those purposes.

Mr. GOBLE. Yes.

Mr. DURHAM. But what is the price factor there?

Mr. GOBLE. I am sorry, I wouldn't know what the price of that is, but it has to be a relatively high price.

Mr. DURHAM. Any further questions?

(No response.)

Mr. DURHAM. Does that complete your statement?

Mr. GOBLE. If you have no further questions—I would like to make one further observation here, Mr. Chairman.

Mr. DURHAM. All right.

Mr. GOBLE. If we had no stockpile in the ground the national defense would necessarily require there to be a greater stockpile of baled fiber. I have mentioned briefly the awkward price effects of a very large stockpile of baled fiber which indeed cannot fail to be harmful



to the Philippines as producers of hemp. We do have the factor also of the necessity to rotate that fiber in order to preserve it in good condition. It is true that there is no scientific experience which will indicate precisely how long fiber may last without deterioration. However, the industry is very reluctant to use fiber at present that is older than 3 years for the reason that we are running into an unknown when we do so. We are required by the Federal specifications to answer to certain minimum strength factors and we cannot afford the risk of falling below them.

Mr. DURHAM. We built something like 48 plants for the production of hemp during World War II, as I recall.

Mr. GOBLE. I think all except one have been abandoned. That fiber is of course an annual fiber, sewn much as—

Mr. DURHAM. Will you tell us what that was due to? We made a tremendous investment. I do not recall what those plants cost each, but they cost around \$200,000 or something like that.

Mr. GOBLE. The total program, I think, cost or was designed to cost around \$50,000,000.

Mr. DURHAM. Fifty million dollars.

Mr. GOBLE. I don't know where it finished. That fiber has no comparable merit with hemp. It was used as an extender. It was hard to use and expensive to use and very hard to process.

Mr. DURHAM. It didn't work out.

Mr. GOBLE. It did not work out successfully as a rope fiber whatever.

Mr. DURHAM. What we were trying to do then—what we desperately needed was abacá?

Mr. GOBLE. Yes, sir.

Mr. DURHAM. Because of the fact that abacá was off the market. And that is the problem we are again faced with today. If that completes your statement, thank you very much.

Mr. GOBLE. Thank you, Mr. Chairman.

Mr. DURHAM. We will read the bill. Mr. Smart will read.

Mr. SMART (reading):

SEC. 2. Whereas abacá, a hard fiber used in the making of marine and other cordage, is a highly strategic and critical material which cannot be produced in commercial quantities in the continental United States, and of which an adequate supply is vital to the industrial and military requirements for the common defense of the United States; therefore, it has been the policy of the United States to continue the program for production and sale of abacá in which it was engaged at the termination of hostilities of World War II, and it is hereby declared to be the policy of the United States to encourage abacá production throughout the world, and in that connection to further the development and maintenance of abacá production in the Western Hemisphere through aid and supplementation of operations under the Strategic and Critical Materials Stock Piling Act (60 Stat. 596), and the national security and common defense.

Mr. DURHAM. Any amendments to section 2?

Mr. SMART. I might point out, Mr. Chairman, that in line 6, the Senate added the only amendment to this bill by inserting the words "throughout the world," which broadened the policy of the American Government, rather than confining the policy to the Western Hemisphere.

Mr. DURHAM. Without objection, section 2 is adopted.

Read section 3.

Mr. SMART (reading) :

SEC. 3. (a) Production of abacá in the Western Hemisphere shall be continued by the United States Government: *Provided*, That the total acreage under cultivation shall not exceed the aggregate under cultivation as of the close of the month next preceding the date upon which this Act shall become effective, except that additional acreage may be added in the Western Hemisphere at the direction of the President and reduction of acreage under cultivation to abacá under this Act shall be effected whenever the President shall so direct: *And provided further*, That in no event shall the total number of acres under cultivation to abacá under this Act at any one time exceed fifty thousand.

(b) Such surveys and research may be undertaken as are necessary or desirable to obtain the best available land in the Western Hemisphere for the production of abacá, and best development of abacá and development and maintenance of the plantations for the production of abacá established on such land, and the most economical and practical processing and disposition of such fiber and byproducts as result from the production of abacá on such land.

(c) Abacá fiber, produced under this Act, which from time to time is not needed for stockpiling under the Strategic and Critical Materials Stock Piling Act (60 Stat. 596), as amended, may be sold otherwise than for stockpiling under such Act.

Mr. DURHAM. Any amendments to section 3, subsection (a), (b) and (c)?

(No response.)

Mr. DURHAM. If not, section 3, subsections (a), (b), and (c), are adopted.

Mr. SMART (reading) :

SEC. 4. (a) The President may issue such rules and regulations and make such determinations as he deems necessary and appropriate to carry out the provisions of this Act.

(b) All contracts entered into and all acquisitions of property effected under this Act shall be in such manner and on such terms and conditions as the President shall determine.

(c) The President may exercise any or all of the powers, authority, and discretion conferred upon him by this Act through such departments, agencies, officers, Government corporations, or instrumentalities of the United States, whether or not existing at the date of the enactment of this Act, as he may direct.

(d) The President may transfer to the departments, agencies, officers, Government corporations, or instrumentalities of the United States, or to any of them, which he directs to exercise the powers, authority, and discretion—

Mr. ARENDS. Mr. Chairman, I think we have all read the bill and I move we consider the bill as read and open for amendments.

Mr. DURHAM. Without objection, it is so ordered.

Mr. CLEMENTE. Mr. Chairman, I would like to propose an amendment.

Mr. DURHAM. Mr. Clemente.

Mr. CLEMENTE. In line with the discussion had before the committee, I would like to propose that the bill be amended on page 7, section 8, line 10, after the word "the" add the words "Congress or the." I move the section be so amended.

Mr. DURHAM. Any discussion?

(No response.)

Mr. DURHAM. You heard the amendment. Without objection, the amendment is adopted.

Without objection, the bill is reported to the full committee by the subcommittee. The committee is adjourned.

(Whereupon, at 11:45 a. m., the subcommittee was adjourned.)









STRENGTHENING THE COMMON DEFENSE BY PROVIDING FOR  
CONTINUATION AND EXPANSION OF WESTERN HEMISPHERE  
PRODUCTION OF ABACÁ BY THE UNITED STATES

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JULY 18, 1950.—Committed to the Committee of the Whole House on the State  
of the Union and ordered to be printed

---

Mr. DURHAM, from the Committee on Armed Services, submitted the  
following

REPORT

[To accompany S. 3520]

The Committee on Armed Services, to whom was referred the bill (S. 3520) to strengthen the common defense by providing for continuation and expansion of Western Hemisphere production of abacá by the United States, having considered the same, report favorably thereon with amendment and recommend that the bill do pass.

The amendment is as follows:

On page 7, line 10, after the word "the", insert the words "Congress or the".

The purpose of the proposed legislation is to strengthen the national defense by authorizing the United States Government to continue its assistance in the development of a source of abacá (Manila fiber) in the Western Hemisphere.

Abaca is a fibrous plant, indigenous to the Philippines, from which Manila hemp is produced. It has been declared to be a product of strategic importance to the national defense and to be in critical short supply. It is being stockpiled under the Strategic and Critical Materials Stockpiling Act.

Prior to World War II, practically the entire supply of abacá came from the Philippines. During the war this source became unavailable and the production of cordage of all kinds suffered because of the nonavailability of abacá. The reaction was of a chain nature, in that as abacá became scarce the producers of cordage were forced to use other less desirable types of fibers, which depleted the stocks of those materials. Eventually, all types of cordage, from those required in agriculture to those required for war purposes, were in extremely short supply. To partially offset this shortage, the Reconstruction Finance Corporation, acting under special legislation to develop



defense industries, began the production of abacá in Central America. Climatic and agricultural conditions in that area were satisfactory and the Department of Agriculture had developed sufficient technical knowledge to make such an endeavor feasible.

When this program of abacá production in Central America was undertaken, it was found that the United Fruit Co. was already engaged in the production of bananas in these countries and had the physical facilities available to undertake the production of abacá as this agent of the Government. Through a management contract with the United Fruit Co., this program was instituted, and at the present time there are approximately 25,000 acres under cultivation. By various laws the Reconstruction Finance Corporation has been required to withdraw from such types of activity, excepting in those areas where they already had projects under way.

This bill would permit the Government, through the Reconstruction Finance Corporation or any other appropriate agency, to continue cultivation of abacá in the Western Hemisphere. However, it places a maximum limitation of 50,000 acres which can be planted to abacá, and it further provides for the establishment of a revolving fund, from which fund no more than \$35,000,000 can be outstanding at any one time. It further provides that there shall be added to such advances and treated as advances an amount equal to the net value of assets of the program for the production and sale of abacá as held by the Reconstruction Finance Corporation on the effective date of the act.

In this connection, it is appropriate to point out that the present abacá program in Central America entailed an investment of \$40,000,000. A total of approximately \$28,000,000 has been recovered to the Government from the product produced. In the event of absolute necessity, it is estimated that if it should become necessary to abandon this project, the Government could recover approximately all of the remaining obligation of \$12,000,000 through the liquidation of physical assets and by butcher harvesting the 25,000 acres of abacá now under cultivation. Therefore, the continuance by the Government of the production of abacá in Central America, at present market prices, indicates that the project could be continued on a self-liquidating basis.

The availability in Central America of a ready source of abacá lessens the amount required in the stockpile where it is presently being stored. This is of major importance since Manila fiber, under presently known measures, can be stock-piled or stored for a maximum period of 3 years, after which it must be rotated, and in the event all of our stockpiling requirements of fiber had to be met from the Philippine source, it is possible that the cost of that particular item in the stockpiling program would be greatly increased because of the inability to properly rotate the stocks.

The prewar rate of production of abacá in the Philippines was 400,000,000 pounds per year, and there was a ready market for every pound of that fiber. The Philippines had then and have now a natural monopoly on this product and can produce, as they did in the past, approximately 95 percent of the world supply. Under present conditions, the Philippine production has dropped to 160,000,000 pounds annually. Our Central American production is approximately 30,000,000 pounds annually, and very limited acreage in Sumatra produced 6½ million pounds in 1949. This is a total world production

of 196,000,000 pounds as against the prewar Philippine production of 400,000,000 pounds. So there can be no dispute that there is a worldwide shortage of abacá.

The Department of Defense, the Munitions Board, the Reconstruction Finance Corporation and the Cordage Institute are unanimously in favor of this legislation. Some fear has been expressed by others that the passage of this bill would be interpreted by normal financing agencies in the United States as indicating the policy which might deter financing of abacá production in the Philippines. The Senate committee clarified this situation by amending the policy declaration of the bill to provide that it is the policy of the United States to encourage abacá production throughout the world. This committee subscribes to that broader statement of policy. The Philippines have been and will continue to be the main producers of abacá in the world. Their production, so long as it is available, is the backbone of our cordage industry. However, in the Western Hemisphere, the United States is, in effect, going into business for itself to provide insurance against the possibility that some unfortunate and unforeseen circumstance might again deny to us other sources of abacá.

In no sense should the proposed legislation be interpreted to indicate any lack of interest on the part of the United States Government or American industry in the development and utilization of abacá from the Philippines or any other source throughout the world.

In approving the proposed legislation, the committee wishes to emphasize that it does so on the basis that the legislation is required in the interest of national defense. The committee has fully considered the possibility that the Government project in Central America might become unduly competitive with Philippine abacá and thereby operate to the detriment of Philippine economy. While there are those who express this fear, the proponents of the bill express the opinion that there will be a ready market for all of the abacá which the Philippines can produce, and that the competitive feature is more fancied than real. The committee takes the position that there are so many intangible considerations that no one can accurately forecast the end results of this undertaking.

The bill contains certain safeguards which are calculated to prevent this situation from arising. It authorizes the President to terminate any contracts for Central American abacá production, allowing only such additional time as is necessary to liquidate the operation. The committee has added an additional safeguard in that it has amended the bill to provide that the Congress, as well as the President, shall have the authority to terminate the contracts. The bill requires that a report be submitted to the Congress at the close of each fiscal year, and it is the intent of the committee that the matter shall be followed closely in order to determine at the earliest practicable date any effects which may be unduly detrimental to the Philippine economy, and to take such corrective steps as the circumstances may require.

At present it is anticipated that the Reconstruction Finance Corporation will act as the agent of the Government in contracting for the production of Western Hemisphere abacá production.

The bill, as amended, is recommended by the Department of Defense and approved by the Bureau of the Budget. A copy of the letter of the Secretary of Defense in support of the proposed legislation is hereto attached and made a part of this report.

4      EXPAND PRODUCTION OF ABACÁ BY THE UNITED STATES

THE SECRETARY OF DEFENSE,  
*Washington 25, D. C., April 27, 1950.*

HON. CARL VINSON,  
*Chairman, Committee on Armed Services,  
House of Representatives.*

MY DEAR MR. CHAIRMAN: I am transmitting herewith for your information a copy of my letter to the Honorable Sam Rayburn, and a draft of legislation entitled, a bill, "To strengthen the common defense by providing for continuation and expansion of Western Hemisphere production of abacá by the United States," together with a summary explaining the need for the proposed legislation and an analysis of the draft bill.

This proposal is a part of the legislative program of the Department of Defense for 1950. It has been submitted to the Bureau of the Budget for advice as to its relationship to the program of the President and I have been advised that there is no objection to its submittal to the Congress.

With warm personal regards, I am,  
Sincerely yours,

LOUIS JOHNSON.





81<sup>ST</sup> CONGRESS  
2<sup>D</sup> SESSION

**S. 3520**

[Report No. 2586]

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IN THE HOUSE OF REPRESENTATIVES

JUNE 19, 1950

Referred to the Committee on Armed Services

JULY 18, 1950

Reported with an amendment, committed to the Committee of the Whole House  
on the State of the Union, and ordered to be printed

[Insert the part printed in italic]

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**AN ACT**

To strengthen the common defense by providing for continuation  
and expansion of Western Hemisphere production of abacá  
by the United States.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That this Act may be cited as the "Abacá Production Act  
4       of 1950".

5                               DECLARATION OF POLICY

6       SEC. 2. Whereas abacá, a hard fiber used in the making  
7       of marine and other cordage, is a highly strategic and critical  
8       material which cannot be produced in commercial quantities  
9       in the continental United States, and of which an adequate  
10      supply is vital to the industrial and military requirements

1 for the common defense of the United States; therefore, it  
2 has been the policy of the United States to continue the  
3 program for production and sale of abacá in which it was  
4 engaged at the termination of hostilities of World War II,  
5 and it is hereby declared to be the policy of the United  
6 States to encourage abacá production throughout the world,  
7 and in that connection to further the development and main-  
8 tenance of abacá production in the Western Hemisphere  
9 through aid and supplementation of operations under the  
10 Strategic and Critical Materials Stock Piling Act (60 Stat.  
11 596) and the national security and common defense.

12 PROGRAM

13 SEC. 3. (a) Production of abacá in the Western Hemi-  
14 sphere shall be continued by the United States Government:  
15 *Provided*, That the total acreage under cultivation shall not  
16 exceed the aggregate under cultivation as of the close of the  
17 month next preceding the date upon which this Act shall  
18 become effective, except that additional acreage may be  
19 added in the Western Hemisphere at the direction of the  
20 President and reduction of acreage under cultivation to  
21 abacá under this Act shall be effected whenever the Presi-  
22 dent shall so direct: *And provided further*, That in no event  
23 shall the total number of acres under cultivation to abacá  
24 under this Act at any one time exceed fifty thousand.

25 (b) Such surveys and research may be undertaken as

1 are necessary or desirable to obtain the best available land  
2 in the Western Hemisphere for the production of abacá,  
3 the best development of abacá and development and main-  
4 tenance of the plantations for the production of abacá  
5 established on such land, and the most economical and  
6 practical processing and disposition of such fiber and by-  
7 products as result from the production of abacá on such  
8 land.

9 (c) Abacá fiber, produced under this Act, which from  
10 time to time is not needed for stockpiling under the Stra-  
11 tegic and Critical Materials Stock Piling Act (60 Stat. 596),  
12 as amended, may be sold otherwise than for stockpiling  
13 under such Act.

#### 14 ADMINISTRATION

15 SEC. 4. (a) The President may issue such rules and  
16 regulations and make such determinations as he deems neces-  
17 sary and appropriate to carry out the provisions of this  
18 Act.

19 (b) All contracts entered into and all acquisitions of  
20 property effected under this Act shall be in such manner  
21 and on such terms and conditions as the President shall  
22 determine.

23 (c) The President may exercise any or all of the  
24 powers, authority, and discretion conferred upon him by this  
25 Act through such departments, agencies, officers, Govern-



1 ment corporations, or instrumentalities of the United States,  
2 whether or not existing at the date of the enactment of this  
3 Act, as he may direct.

4 (d) The President may transfer to the departments,  
5 agencies, officers, Government corporations, or instrumen-  
6 talities of the United States, or to any of them, which he  
7 directs to exercise the powers, authority, and discretion con-  
8 ferred upon him by this Act, such facilities, personnel, prop-  
9 erty, and records relating to such powers, authority, and  
10 discretion, as he deems necessary; and he may so transfer  
11 all appropriations or other funds available for carrying out  
12 such powers, authority, and discretion.

13 (e) The financial transactions authorized by this Act  
14 shall be subject to the Government Corporation Control Act,  
15 as amended, and other laws specifically applicable to wholly  
16 owned Government corporations as a class.

17

#### FINANCING

18 SEC. 5. (a) For the purpose of carrying out the func-  
19 tions authorized by this Act, there is hereby established in  
20 the Treasury, a revolving fund which shall consist of (1)  
21 such amounts as the Congress may appropriate thereto,  
22 which appropriations are hereby authorized, (2) such  
23 amounts as may be paid into the fund pursuant to sub-  
24 section (e) of this section, and (3) amounts received in

1 connection with any transfer pursuant to subsection 4 (d)  
2 of this Act.

3 (b) Pursuant to regulations prescribed by the Presi-  
4 dent, the Secretary of the Treasury is authorized and directed  
5 to make advances from the fund not to exceed a total of  
6 \$35,000,000 outstanding at any one time. There shall be  
7 added to such advances and treated as advances an amount  
8 equal to the net value of assets of the program for the pro-  
9 duction and sale of abacá as held by the Reconstruction  
10 Finance Corporation on the effective date of this Act.

11 (c) Interest shall be paid on each outstanding advance  
12 at such rates as may be determined by the Secretary of the  
13 Treasury to be appropriate in view of the terms for which  
14 such advances are made.

15 (d) Appropriations are hereby authorized for payment  
16 in the form of a grant, in such amounts as may be estimated  
17 in the annual budget as necessary to cover losses. The an-  
18 nual budget program shall specifically set forth any losses  
19 sustained in excess of the grant previously made for the last  
20 completed fiscal year. Appropriations are hereby authorized  
21 for payment to cover such additional losses incurred.

22 (e) Receipts for each fiscal year may be used for pay-  
23 ment of the costs incurred in connection with projects and  
24 activities authorized by this Act. After providing out of

1 such receipts for necessary working capital requirements,  
2 any amounts in excess thereof shall be paid annually into  
3 the fund. Such payment shall be applied to reduce the  
4 amount of advances outstanding, and any remaining pay-  
5 ments shall be covered into the Treasury as miscellaneous  
6 receipts.

7 (f) Until such time as the appropriations herein author-  
8 ized are made, such of the powers, authority, and discretion  
9 provided for in this Act as the President may delegate to  
10 the Reconstruction Finance Corporation may be exercised  
11 by the Reconstruction Finance Corporation under the author-  
12 ity conferred by former section 5d (3) of the Reconstruction  
13 Finance Corporation Act, as amended (54 Stat. 573, 961;  
14 55 Stat. 249) ; joint resolution approved June 30, 1945  
15 (59 Stat. 310) ; and section 12 of the Reconstruction Finance  
16 Corporation Act, as amended (61 Stat. 207), with funds  
17 recovered or recoverable from its national defense, war, and  
18 reconversion activities.

19 DISPOSAL OF PROPERTY

20 SEC. 6. Whenever the President shall determine that  
21 any property is excess to the purposes of this Act, or that



1 adequate supplies of abacá will be available from other  
2 sources within the Western Hemisphere on a basis accept-  
3 able to the United States, property held for the purposes of  
4 this Act may be disposed of in such manner and on such  
5 terms and conditions as the President may prescribe.

6 REPORTS

7 SEC. 7. Within six months after the close of each fiscal  
8 year a report shall be submitted to the Congress on the  
9 activities under this Act.

10 EFFECTIVE DATE AND DURATION

11 SEC. 8. This Act shall become effective on April 1,  
12 1950, and shall remain effective for ten years thereafter,  
13 unless the *Congress or the* President shall direct earlier  
14 termination of operations, and for such further period as is  
15 necessary to the earliest practicable liquidation of operations  
16 under this Act.

Passed the Senate June 16 (legislative day, June 7),  
1950.

Attest:

LESLIE L. BIFFLE,  
*Secretary.*

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## AN ACT

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To strengthen the common defense by providing for continuation and expansion of Western Hemisphere production of abacá by the United States.

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JUNE 19, 1950

Referred to the Committee on Armed Services

JULY 18, 1950

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed







## CONSIDERATION OF S. 3520

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JULY 20, 1950.—Referred to the House Calendar and ordered to be printed

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Mr. McSWEENEY, from the Committee on Rules, submitted the following

## REPORT

[To accompany H. Res. 717]

The Committee on Rules, having had under consideration House Resolution 717, reports the same to the House with the recommendation that the resolution do pass.







## House Calendar No. 249

81ST CONGRESS  
2D SESSION

# H. RES. 717

[Report No. 2657]

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### IN THE HOUSE OF REPRESENTATIVES

JULY 20, 1950

Mr. McSWEENEY, from the Committee on Rules, reported the following resolution; which was referred to the House Calendar and ordered to be printed

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## RESOLUTION

1       *Resolved*, That immediately upon the adoption of this  
2 resolution it shall be in order to move that the House resolve  
3 itself into the Committee of the Whole House on the State  
4 of the Union for the consideration of the bill (S. 3520) to  
5 strengthen the common defense by providing for continuation  
6 and expansion of Western Hemisphere production of abacá  
7 by the United States. That after general debate, which  
8 shall be confined to the bill and continue not to exceed one  
9 hour, to be equally divided and controlled by the chairman  
10 and ranking minority member of the Committee on Armed  
11 Services, the bill shall be read for amendment under the five-  
12 minute rule. At the conclusion of the consideration of the

1 bill for amendment, the Committee shall rise and report the  
 2 bill to the House with such amendments as may have been  
 3 adopted and the previous question shall be considered as  
 4 ordered on the bill and amendments thereto to final passage  
 5 without intervening motion except one motion to recommit.

House Calendar No. 249

81ST CONGRESS  
2D SESSION

**H. RES. 717**

[Report No. 2657]

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## RESOLUTION

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Providing for the consideration of S. 3520, a bill to strengthen the common defense by providing for continuation and expansion of Western Hemisphere production of abacá by the United States.

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By Mr. McSWENEX

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JULY 20, 1950

Referred to the House Calendar and ordered to be printed







Asian Ivans wondering if Uncle Joe is really such a great leader.

Here is another idea I have. Why cannot we get some folks with wit and humor in place of dry-rot diplomats to work up broadcasts for the Voice of America? Political satire, if properly voiced, should shake off a few apples. Why not have a few college glee clubs sing some snappy Russian songs, substituting words ridiculing Stalin and his Kremlin buddies?

#### CORRECTION OF ROLL CALL

Mr. FEIGHAN. Mr. Speaker, the RECORD of yesterday shows that I failed to answer to my name on roll call No. 217. I was present and answered the call. I ask unanimous consent that the RECORD and Journal be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from Ohio? There was no objection.

#### SPECIAL ORDER GRANTED

Mr. FORD asked and was given permission to address the House for 15 minutes today, following the legislative program and any special orders heretofore entered.

#### PERMISSION TO ADDRESS THE HOUSE

Mr. FORD. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

#### PERSONAL ANNOUNCEMENT

Mr. FORD. Mr. Speaker, yesterday during the debate on one of the national defense measures, the gentleman from Indiana [Mr. WALSH] said this, in reference to myself, and I quote:

I can point out where the gentleman has failed to vote for the defense of his country.

In the RECORD we have today the gentleman from Indiana somewhat tempered his remarks and said:

I could, if necessary, point out where he—

Referring to myself—

failed to vote for what I consider to be the best interest of the defense of our country.

During the colloquy between the gentleman from Indiana [Mr. WALSH] and myself, the gentleman from Indiana had this to say:

I did not know you from Adam. I will have your record tomorrow and show it in the RECORD if you wish.

At this time I request the gentleman from Indiana to produce that record and insert it in the CONGRESSIONAL RECORD. Subsequent to his insertion I will have a few comments to make about his record and also an explanation of mine.

#### PERMISSION TO ADDRESS THE HOUSE

Mr. BOGGS of Delaware. Mr. Speaker, I ask unanimous consent to address the House for 1 minute, and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Delaware?

There was no objection.

#### RECOVERY VERSUS DEFENSE

Mr. BOGGS of Delaware. Mr. Speaker, I hold in my hand a splendid and timely editorial from the Tuesday, July 25, issue of the Wilmington (Del.) Journal-Every Evening.

This editorial states in part, "If Europe's need for military aid is as great as the administration suggests and as Europe itself contends the United States might well consider seriously the possibility of diverting some Marshall plan funds to that more important field."

Pointing out that such a shift of funds would mean that Europeans will have to make certain sacrifices, the editorial concludes by saying, "but that's the unhappy prospect ahead of Americans, too."

Mr. Speaker, we must fully realize that nothing at the present is more important to the United States, and, in fact, to the freedom-loving peoples of the world, than victory in the present war. In order to obtain that victory it should be clear to all that our Nation's economy will be subjected to terrific strain.

Consequently, Mr. Speaker, it appears that the time is here for us to make, as this editorial states, "a reassessment of our obligations to the rest of the world and decide which things are first." We must never forget that our first obligation is to the defense of our own Nation, our own form of government, and our own people.

I therefore urge, Mr. Speaker, that the Committee on Foreign Affairs and the other committees of this body most closely concerned with the problems of war and economic stability give immediate consideration to a reassessment of our obligations and a proper evaluation of the matter of recovery versus defense.

The editorial to which I refer follows:

#### RECOVERY VERSUS DEFENSE

If Europe's need for military aid is as great as the administration suggests and as Europe itself contends the United States might well consider seriously the possibility of diverting some Marshall-plan funds to that more important field. It probably would take an act of Congress to make the transfer legal but in the present emergency the vote on the matter would be pretty nearly unanimous.

With the billions upon billions that American taxpayers are being called upon to supply for the war in Korea, this country's economy is certain to be subjected to a back-breaking strain. The time cannot be far off when we will have to make a reassessment of our obligations to the rest of the world and decide which things are first.

Insofar as the United States is concerned nothing is more important than victory in the present war. If we fail to achieve that we shall not only lose face throughout the Orient but give the Soviet new cause for believing that the onward march of communism simply cannot be stopped in either the east or the west. So it is as much to Europe's ultimate interest as our own that the Korean Reds be decisively defeated.

Under the circumstances the states of western Europe can hardly object if some of the money allocated to its economic recovery is now used for purposes of its defense. It will mean, of course, that the Europeans will have to make certain sacrifices, but that's the unhappy prospect ahead of Americans, too.

#### SPECIAL ORDERS GRANTED

Mr. PHILLIPS of California asked and was given permission to address the House for 25 minutes on tomorrow and on Monday next, following the legislative business of the day and any other special orders heretofore entered.

#### PERMISSION TO ADDRESS THE HOUSE

Mr. SCRIVNER. Mr. Speaker, I ask unanimous consent to address the House for 1 minute, and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Kansas?

There was no objection.

#### ADDITIONAL \$1,500 DEDUCTION FROM TAXABLE INCOME OF MEN IN THE ARMED SERVICES

Mr. SCRIVNER. Mr. Speaker, in the immediate future many young men, and some older ones, who served so long and so honorably in World War II will again be in our Armed Forces.

Many of them have just completed their GI training, have begun business or opened professional offices. They have married, acquired homes, started families. Their obligations are great; their opportunities for the future are dark indeed, with their lives again interrupted by military service.

As yet the administration does not recognize the existing situation as war, nor even as a national emergency. Whatever this is in Korea, its effects on the men in service are the same as war.

In World War II our military men were granted an additional \$1,500 deduction from their taxable income. The Nation felt it was right that making the sacrifice they did they should have a little less to pay than those who were not fighting the war. In other words, they should not have to fight the war and pay for it too.

The men serving during this period—in this what-is-it in Korea—deserve the same—this exemption.

Mr. Speaker, for these reasons I have just introduced a bill to give those fighting in this conflict that same additional deduction we gave the fighting men of World War II. They deserve it and I hope the bill will get immediate consideration.

#### PERMISSION TO ADDRESS THE HOUSE

Mr. JAVITS. Mr. Speaker, I ask unanimous consent to address the House for 1 minute, and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

#### MILITARY AID TO KOREA FROM WESTERN EUROPE

Mr. JAVITS. Mr. Speaker, we just learn from the wires that an announcement has been made in the House of Commons that Great Britain will contribute ground troops to the fight in Korea; that the British Navy will be put on full war status. The ground troops will be accompanied by tanks and artillery to reinforce the American forces.



and two fighter-bomber squadrons will also be sent there.

Mr. Speaker, this verifies what those of us who fought for the mutual defense assistance program have contended—that the backbone of the military capability of the free peoples still remains in western Europe. We hope this action by Great Britain will be the precedent to induce India, Pakistan, and other Pacific powers, who have not yet responded to the United Nations' request, to make their contribution to the Korean conflict. For this conflict is for them a life-and-death struggle, a struggle for their very survival. If the United Nations cannot enforce military sanctions against naked military aggression, then every small, every new nation stands in grave peril of being swallowed up and seeing its integrity gone.

By their response to the UN they can create the conditions for the beginning of a Pacific pact, and finally the great strength which we are now beginning to see in the Atlantic Pact can be marshalled for the security of the Far East.

What is so all-important to the free peoples of Asia is that we have shown in our handling of the Atlantic Pact that in arms as in economic aid, we follow the principle of self-help and mutual cooperation. It is our allies we help to do the job, standing on their own with dignity and independence. This should be an attitude highly approved by peoples who have so capably settled the issue of colonialism.

The SPEAKER. The time of the gentleman from New York has expired.

#### EXTENSION OF REMARKS

Mr. THOMPSON asked and was given permission to extend his remarks and include an article.

Mr. BURNSIDE asked and was given permission to extend his remarks in two instances.

Mrs. WOODHOUSE asked and was given permission to extend her remarks and include an editorial from the American Banker.

Mr. LANE asked and was given permission to extend his remarks in three instances and include extraneous matter.

Mr. LICHTENWALTER asked and was given permission to extend his remarks in two instances and in each to include an editorial.

Mr. HOFFMAN of Michigan asked and was given permission to extend his remarks in two instances and include certain newspaper articles in each.

Mr. BRYSON asked and was given permission to extend his remarks in two instances and include newspaper clippings.

Mr. PATTERSON (at the request of Mr. Boggs of Delaware) was given permission to extend his remarks and include extraneous material.

Mr. SADLAK asked and was given permission to extend his remarks in two instances; in one to include a newspaper article, and in another a resolution presented by the Polish American Legion.

Mr. LEFEVRE asked and was given permission to extend his remarks and include an editorial.

Mr. GROSS asked and was given permission to extend his remarks, and include a newspaper editorial.

Mr. D'EWARD asked and was given permission to extend his remarks and include a tabulation.

Mr. HOEVEN asked and was given permission to extend his remarks in two instances and in each to include extraneous matter.

Mrs. ST. GEORGE asked and was given permission to extend her remarks in four instances, and to include editorials by Mr. Frank Waldrop.

Mr. HORAN asked and was given permission to extend his remarks and include a news release.

Mr. HESELTON asked and was given permission to extend his remarks in two instances, in one to include editorials and the text of a bill.

Mr. HAGEN asked and was given permission to extend his remarks in two instances and in each to include newspaper articles.

Mr. BUCHANAN asked and was given permission to extend his remarks and include an editorial and a letter to an editor.

Mr. BIEMILLER asked and was given permission to extend his remarks in two separate instances, in each to include extraneous matter.

Mr. RANKIN asked and was given permission to revise and extend the remarks he expects to make in the Committee of the Whole today and to include extraneous matter therein.

#### EXPANSION OF WESTERN HEMISPHERE PRODUCTION OF ABACÁ

Mr. McSWEENEY. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 717.

The Clerk read as follows:

*Resolved*, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (S. 3520) to strengthen the common defense by providing for continuation and expansion of Western Hemisphere production of abacá by the United States. That after general debate, which shall be confined to the bill and continue not to exceed 1 hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Armed Services, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the consideration of the bill for amendment, the committee shall rise and report the bill to the House with such amendments as may have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. McSWEENEY. Mr. Speaker, because of the nature of the bill S. 3520, it providing for a revolving fund and also providing powers to the President to terminate this operation, I ask unanimous consent that all points of order against the bill be waived.

The SPEAKER. Is there objection to the request of the gentleman from Ohio? There was no objection.

Mr. McSWEENEY. Mr. Speaker, I yield 30 minutes to the gentleman from

Illinois [Mr. ALLEN], and yield myself 7 minutes.

The SPEAKER. The gentleman from Ohio is recognized.

Mr. McSWEENEY. Mr. Speaker, House Resolution 717 makes in order the bill S. 3520, which is for the encouragement of the production of abacá in the Philippine Islands. I have gone carefully into the question of abacá, have gotten all of the information I could from the Library of Congress and also from the Department of Agriculture. I was rather surprised that the propagation of this plant requires so much money but I find that this plant does not re-seed itself; it is somewhat similar to a banana plant or other tubers. The abacá plant has to be taken from the ground and divided and the different bulbs planted separately. This makes it a very expensive hand operation, and for that reason the amount of money required in order to get the amount of production that we feel is necessary as a war measure, is rather large.

Abacá fiber is similar to what we know as manila hemp. In the old days, especially, it was used for caulking and other purposes, but today it is extensively used by our Navy and is an essential war product. For that reason we are asking you to help us encourage the production of this worth-while product in the Philippines.

I have a letter from the Embassy of the Philippines. They are very much interested. They have some suggestions with regard to this bill, but on the whole they feel that it will be of tremendous value not only to business in the Philippines but also because it is so necessary for war uses. It may be of interest to the Members to know that at one time this production was carried on under private enterprise, but it was found that the land being devoted to the production of bananas was much more profitable than the land that had been allocated for abacá. For that reason private enterprise went out of the abacá production and increased their production of bananas. So at this time it means that in order to have this much needed commodity, we as a Congress must make provision so that we can provide for what we call a war necessity. I am sure it will also help the economy of the Philippines and help to balance her production and will result in their producing something to sell on the markets of America.

Mr. STEFAN. Mr. Speaker, will the gentleman yield?

Mr. McSWEENEY. I yield to the gentleman from Nebraska.

Mr. STEFAN. In discussing the letter that the gentleman received from the Philippine Embassy, may I say that I think the Philippine people who are endeavoring to recoup their abacá production because of the scarcity of that article in the United States are very favorable to the passage of this bill if an amendment could be put in the bill to aid them in their program to help along in the production of abacá, which we need so badly. Is the gentleman favorable to that amendment?



Mr. McSWEENEY. I think the gentleman's suggestion is a good one. I have gone over this program. I do not think the amendment would be detrimental to the bill.

Mr. STEFAN. Has the gentleman read the proposed amendment?

Mr. McSWEENEY. Does the gentleman have it there?

Mr. STEFAN. I have it here.

Mr. McSWEENEY. I thank the gentleman. The Embassy of the Philippines has made the following suggestion:

All abacá fiber produced under this act shall be utilized solely to fulfill the objectives for stockpiling under the Strategic and Critical Materials Stock Pile Act (60 Stat. 596) as amended, and when the objectives of such act as amended have been fulfilled, report shall be submitted to Congress. Nothing herein shall prevent rotation of such fiber as produced under this act where necessary to prevent deterioration, as provided in section 3 (d) of the Strategic and Critical Materials Stock Pile Act (60 Stat. 596) as amended, but such rotation shall be effected only after research and determinations under section 3 (b) of this act.

Mr. STEFAN. The gentleman would not oppose an amendment like that?

Mr. McSWEENEY. From my limited knowledge, sir, I do not believe we could oppose that because it would help the economy of the Philippines and would in no way jeopardize our position with regard to the need for that particular commodity.

Mr. STEFAN. I have a communication from the Munitions Board indicating they are very much interested in this.

Mr. McSWEENEY. I appreciate the gentleman's contribution. I feel, though, that should be within the control of the committee, rather than the Rules Committee. As one who has studied this I believe it in no way jeopardizes the good that the bill will render to the Philippine people.

Mr. STEFAN. In connection with the United Fruit program in Central America where they have been planting bananas on land that had been in abacá, has the gentleman some assurance there will be no destruction of the present abacá area?

Mr. McSWEENEY. No, I have not, but I would not see any reason why there should be. In other words, I think they have allotted land for the production of bananas in sufficient amount to take care of their required production and I can see no reason for an encroachment upon the present abacá land.

Mr. STEFAN. I thank the gentleman.

Mr. CELLER. Mr. Speaker, will the gentleman yield?

Mr. McSWEENEY. I yield to the gentleman from New York.

Mr. CELLER. In a communication received from the distinguished Delegate from the Philippines, we have statements to the effect that this bill may unduly aid the United Fruit Co., which seeks to cultivate this product in South America, and that there is a direct connection between the United Fruit Co. and the largest cordage manufacturer in the United States, that there is an interlocking directorate between the Plymouth Cordage Co., of Plymouth, Mass., which

is designated as the largest cordage manufacturer, and the United Fruit Co. Has the gentleman any information on that score?

Mr. McSWEENEY. No; I have not with regard to any interlocking directorates.

Mr. HERTER. Mr. Speaker, if the gentleman will yield, I shall be very glad later on in the debate to go into the point that the gentleman raises.

Mr. McSWEENEY. I thank the gentleman for that contribution.

The SPEAKER. The time of the gentleman from Ohio has expired.

Mr. ALLEN of Illinois. Mr. Speaker, I yield 10 minutes to the gentleman from Massachusetts [Mr. HERTER].

Mr. HERTER. Mr. Speaker, I am in favor of the rule that is now before us, but am taking a few minutes of time to explain the past history of the development of this particular fiber in Central America.

About 20 years ago the United States Department of Agriculture brought from the Philippine Islands a few abacá plants which it tried experimentally to propagate in the Republic of Panama. Through the United Fruit Co. in the Republics of Panama and in Honduras and in Costa Rica a number of experimental laboratories were established in which all types of tropical vegetation are grown experimentally in order to find which grow best in those particular climates. That was true of this particular plant.

Before the war, in 1937 and 1938, our Navy Department evidenced a great interest in the experimental work that was being done on this plant. They asked the fruit company, experimentally, if they could enlarge their plantings in order to try out over larger acreage the growth of this particular fiber. That was done over first 1,000 acres and then 2,000 acres. Those acreages represented the only ones in the Western Hemisphere that grew this particular form of what is generally called manila hemp. It proved to be a godsend during the war period when the Philippines were cut off and there was no other available source of supply.

At that time the Government of the United States asked the fruit company if they could extend the acreage of this particular product. This was done in Costa Rica, Honduras, Panama, and Guatemala. It was done by the fruit company at cost to themselves as a part of the war effort. They used their own land, for which they charged nothing. They were glad to make that contribution to the war effort. They acted as agent for the Reconstruction Finance Corporation. When the war ended the fruit company made it very clear that they did not wish to continue with the operation. However, the Munitions Board asked them to continue with the RFC arrangement.

This bill is here because of the request of the Government that the fruit company act as managing agent for the extension of the acreage which had already been planted as a precautionary measure against our again being cut off from the supply in the Far East.

I have had an opportunity to see the letter which has been referred to from our former colleague representing the Philippine Government in regard to this matter. In that letter he unfortunately made a few misstatements in regard to the fruit company. I have before me a letter from the fruit company which I ask unanimous consent to insert in the Record at this point.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. HERTER. The letter reads as follows:

UNITED FRUIT CO.,  
Boston, Mass., July 25, 1950.

The Honorable CHRISTIAN A. HERTER,  
House of Representatives,  
Washington, D. C.

MY DEAR MR. HERTER: You were good enough to show me the report attached to the letter from His Excellency J. M. Elizalde, Ambassador from the Philippines, to you dated July 24, 1950, regarding S. 3520 and its companion bill, H. R. 8351, providing for the expansion of the abacá industry in this hemisphere. In section 5 of this report entitled "Private Interest" there are so many inaccuracies and unwarranted inferences regarding the United Fruit Co. that I feel that it is necessary in the interest of my company to correct them.

When the war with Japan cut off the supplies of manila hemp in the Philippines, the United Fruit Co. had the only seed bed of abacá in this hemisphere. It had developed at its own cost about 2,000 acres of this plant in the Republic of Panama.

Upon request of the Government, the company was pleased to undertake the expansion of the production of manila hemp in Central America as a defense measure for the account of the Government and without profit to the company. Accordingly, the company entered into contracts with the Government whereby it turned over at cost its 2,000 acres of abacá, the value of which was incalculable, and undertook to expand the cultivation of this plant on its lands in Central America. No charge was made for the use of the company's lands on which the abacá was planted. The company's trained agriculturists, including persons particularly trained in the cultivation of abacá, were made available to the Government. The Government agreed to pay the salaries of those employees engaged exclusively in the abacá projects but the advice and services of its principal agricultural experts were given to the Government without charge. Also, the company had large facilities in Central America, such as railroads, wharves, labor camps, hospitals, water supply, and other necessary facilities which were made available to the Government and which could not have been duplicated by the Government except at enormous cost and great loss of time. In Panama and Costa Rica where the operation first started, the company received no payment whatsoever for the use of houses, camps, and other facilities of the company used exclusively in abacá operations. Later, in the development of projects in Guatemala and Honduras, the company received for the use of such facilities employed exclusively in the abacá operations a rental equal to depreciation. Where the facilities of the company were used jointly by the company and the Government, the Government paid only its pro rata cost of the maintenance and operation of such facilities. No charge was made and no reimbursement received for the management of the projects, including the time of its executives and experts of the general office who devoted a great deal of



their time to the skillful direction of the work.

The contracts expired on December 31, 1948, and since the war was over and the company was not interested in the production of abacá as such, it desired to terminate its connection with this business. But upon the insistence of the RFC that the continuance of the abacá projects was of importance in the national defense, the contracts were renewed with some modifications for an additional period of 5 years. The only important differences between the new contracts and the old contracts are the following: In return for its management and direction of the projects, the company is to receive a management fee of 15 percent of the net cash profit with a minimum of \$1 per month per acre of cultivations from time to time under operation. This fee also includes compensation for the use of the company's lands planted to abacá. Salaries of officers of the company and expenses of the general office are not to be reimbursed. Where tools, equipment, machinery, and other fixed assets owned by the company are used exclusively in abacá operations, the Government pays only the cost of maintenance, operation, and repair plus a reasonable allowance for depreciation and insurance. The division of overhead expense of local facilities and personnel jointly used by the company and the Government is to be determined in accordance with formulas worked out by outside auditors and is subject to review at any time.

Contrary to the statements made in the report, the United Fruit Co. does not own a single share of the stock of any cordage company and is in no way interested in the cordage business. There is not and has not been any interlocking directorate between United Fruit Co. and the Plymouth Cordage Co. One of our 25 directors was also a director of the Plymouth Cordage Co. from December 1, 1943, to December 3, 1947. He was not a director of the cordage company at the time the original contracts were made or at the time the contracts were renewed. No other director of the United Fruit Co. holds a directorate in the Plymouth Cordage Co. or any other cordage company. All fiber produced by the projects belongs to the RFC which disposes of it as it sees fit, and the company has no control over or intervention in the sale or other distribution of the fiber.

My company is proud of the contribution it was able to make to the war effort in quickly expanding the production of abacá at a time when it was so urgently needed. At a time when its ships had been requisitioned, its production curtailed, and its profits severely reduced, it did this without profit and without reimbursement for the services of its executives and experts whose skill and direction contributed so much to the success of the program. We were able to develop 28,000 acres of abacá which supplied practically all of the manila fiber that was available to this Nation during the war. My company has no interest in the production of abacá as such and, as a business matter, it would prefer to recover its lands and facilities and terminate its connection with the business. We have cooperated with the program for the purpose of national defense, and our willingness to continue to lend our aid and cooperation in connection with this matter is based solely on our desire to be of service in the time of national emergency.

Sincerely yours,  
SAM G. BAGGETT,  
Vice President and General Counsel,  
United Fruit Co.

Mr. CELLER. Mr. Speaker, will the gentleman yield?

Mr. HERTER. I yield to the gentleman from New York.

Mr. CELLER. Does that letter cover the question that I propounded to the previous speaker?

Mr. HERTER. It specifically covers that, and I shall be very glad to read that passage. In general it rehearses the whole relationship of the fruit company to the Government in this operation.

Mr. CELLER. I think it would be well to put it in the Record at this point.

Mr. HERTER. I shall be glad to do that:

Contrary to the statements made in the report, the United Fruit Co. does not own a single share of the stock of any cordage company and is in no way interested in the cordage business. There is not and has not been any interlocking directorate between United Fruit Co. and the Plymouth Cordage Co. One of our 25 directors was also a director of the Plymouth Cordage Co. from December 1, 1943, to December 3, 1947. He was not a director of the cordage company at the time the original contracts were made or at the time the contracts were renewed. No other director of the United Fruit Co. holds a directorate in the Plymouth Cordage Co. or any other cordage company. All fiber produced by the projects belongs to the RFC, which disposes of it as it sees fit, and the company has no control over or intervention in the sale or other distribution of the fiber.

Mr. CELLER. Mr. Speaker, will the gentleman yield?

Mr. HERTER. I yield to the gentleman from New York.

Mr. CELLER. As I understand the remarks of the gentleman, the United Fruit Co. will be the managing agent concerning the disposition of its products; is that correct?

Mr. HERTER. That is true only as far as the preparation of the product is concerned.

Mr. CELLER. The product is grown, and loans are offered by RFC to the United Fruit Co. for the growing of the product?

Mr. HERTER. There are no loans made to the United Fruit Co. The company produces the fiber for the RFC under a management contract. The RFC owns and controls the fiber.

Mr. CELLER. Who will control the allocation of the product? Who will control the sale price of the product?

Mr. HERTER. The Reconstruction Finance Corporation handles the product entirely.

Mr. CELLER. So that if by chance a cordage company in the United States wants to buy any of this product it must go to the Reconstruction Finance Corporation as a condition precedent to purchase?

Mr. HERTER. Absolutely. It would go to the Reconstruction Finance Corporation, or perhaps the Munitions Board, depending on whether it has been stockpiled.

Mr. CELLER. The gentleman is quite convinced that the United Fruit Co. would have no control over either the price at which the product would be sold or the allocation of the product or the division of markets?

Mr. HERTER. Absolutely. In fact, the United Fruit Co. would infinitely prefer not to be concerned with this

matter, and is doing it entirely as a matter of assisting the Government.

Mr. CELLER. What is the compensation the United Fruit Co. would receive for this work?

Mr. HERTER. The compensation is outlined in the letter that is given here. A new contract was drawn up in 1948, when the fruit company did not wish to continue with this business. As I recall it, the compensation is 15 percent of the net cash profit made by the Reconstruction Finance Corporation.

Mr. CELLER. All expenses of operation, including the cost of the land, the labor cost, the maintenance cost, and the building cost would be defrayed by the Reconstruction Finance Corporation?

Mr. HERTER. Not all, no. No cost of land or facilities, such as railroads, docks, housing, hospitals, and so forth. All the management expense is handled entirely by the fruit company. This is a difficult and a tricky plant, as nearly all tropical vegetation is, to grow.

Mr. CELLER. Is that 15 percent of the net profit or 15 percent of the gross profit?

Mr. HERTER. The net profit made by the Reconstruction Finance Corporation.

Mr. CELLER. Has the gentleman considered whether or not that is a rather large sum to be obtained from an operation of this sort?

Mr. HERTER. My impression is that compared with the over-all operations of the fruit company and considering the difficulties of the operation and the responsibilities involved it is infinitesimal.

Mr. SMITH of Wisconsin. Mr. Speaker, will the gentleman yield?

Mr. HERTER. I yield.

Mr. SMITH of Wisconsin. I know the gentleman has studied this question very closely. I am wondering if he knows why the hemp plants in this country are being closed while we are attempting in this instance to advance \$35,000,000 for the development of the same kind of program overseas. In Wisconsin we have a number of hemp plants. I have one in my own county. Just last Saturday I went by it and saw a big sign in front of the building, "Closed; for sale." Are we going to forget about that war industry we had? What consistency is there in this kind of program?

Mr. HERTER. I am afraid I am not qualified to answer the gentleman's question. Perhaps somebody from the Committee on Armed Services could answer that question.

Mr. SMITH of Wisconsin. I should like to have that question answered.

Mr. CRAWFORD. Mr. Speaker, will the gentleman yield?

Mr. HERTER. I yield to the gentleman from Michigan.

Mr. CRAWFORD. I know the gentleman wants to be absolutely fair in this whole presentation. The United Fruit Co. gets many benefits, not just 15 percent of the net profits. If there are no net profits whatsoever, the United Fruit Co. gets \$1 per acre plus other benefits.

We paid for dockage facilities and we paid for many things during the war.



When bananas were not able to move into the channels of trade the United Fruit Co. benefited from that. I know the gentleman wants the record to be clear on this. I am not going to oppose this bill. This bill should have the amendment which was discussed previously by the two gentlemen. I would like to ask the gentleman if he is not in favor of the amendment.

Mr. HERTER. I would personally have no objection to the amendment, insofar as I know what it means, although there is one phase of it which I do not know the answer to, but possibly the members of the Committee on Military Affairs do, and that is on the question of spoilage. I do not know how often replacements have to be made on account of spoilage.

Mr. CRAWFORD. The gentleman pointed out that this is a very delicate and intricate operation and these agreements running between the Reconstruction Finance Corporation and the United Fruit Co. are just as delicate and technical as you can imagine. So there is a big story in this for the consumers of twine and rope and for the Army and Navy and for the defense of the United States, as well as for the Philippine Islands and Central America, and for these some 42 plants that we built during the last war.

The SPEAKER. The time of the gentleman from Massachusetts has expired.

Mr. McSWEENEY. Mr. Speaker, I yield the gentleman three additional minutes, if he will accept the time.

Mr. HERTER. I thank the gentleman.

Mr. Speaker, I would like to make an observation in connection with the statement just made by the gentleman from Michigan. The United Fruit Co. would under no circumstances be engaged in this business as a commercial business. It has tried to get out of it and it would like to get out of it again. It is engaging in the business solely because the Government of the United States is asking for it, and for that and no other reason whatsoever. If Congress should decide to abolish the whole thing, it would not hurt the feelings of the United Fruit Co. in the least. They would have their lands and other facilities back. They are doing this in the national interest. I am thoroughly convinced of that, not only from the documents, but from my own conversation with the concern.

Mr. CELLER. Mr. Speaker, will the gentleman yield?

Mr. HERTER. I yield.

Mr. CELLER. I believe what the gentleman says is perfectly true. I know Mr. Zemurray, who is the head of the United Fruit Co. He is a very distinguished, patriotic gentleman who would want to aid the war effort in every way, particularly if he can increase the use of this very essential product.

But I think we ought to have all the facts, and I know the gentleman wants to give all the facts.

Mr. HERTER. I fully agree with the gentleman.

Mr. CELLER. Will the United Fruit Co. receive 100 percent of the moneys they expended for, let us say, the railroads and docks and roads and bridges and warehouses and administrative buildings which will be erected or have been erected?

Mr. HERTER. No. There has been no capital expenditure by the Government of any kind whatsoever. All of that has been done by the fruit company itself, using its own facilities.

Mr. CELLER. So that having used its own money for these constructions, it of course will own these buildings and own these bridges and docks and the United States Government will not have contributed one cent to the construction of those facilities?

Mr. HERTER. I do not believe the fruit company will be in any way enriched by this operation.

Mr. CELLER. That is not responsive. It is only partially responsive. Would the Government of the United States be expending any sums of money on these constructions which would be availed of by the United Fruit Co. after this operation is concluded?

Mr. HERTER. None that I know of. In fact if the Government of the United States had to carry on this operation by itself, as a governmental operation, and had to build all of its own facilities, it would cost ten times as much.

Mr. McSWEENEY. Mr. Speaker, will the gentleman yield?

Mr. HERTER. I yield.

Mr. McSWEENEY. I was unable to find out from the Department of Agriculture the exact cost per acre on the production end. These plants are not planted by seed, but I understand that the plants have to be subdivided.

Mr. HERTER. That is correct, the plants are subdivided.

Mr. McSWEENEY. Yes, the plants have to be subdivided and it is a very expensive operation. Was the gentleman able to find out what the cost per acre was? I was not able to get that information.

Mr. HERTER. I do not have that figure, either.

Mr. McSWEENEY. Mr. Speaker, I yield to the gentleman from Nebraska [Mr. STEFAN] such time as he may require.

(Mr. STEFAN asked and was given permission to extend his remarks at this point, and include a statement by J. S. McDaniel.)

(The statement is as follows:)

(The writer of this memorandum supports immediate passage of S. 3520 or H. R. 8351 with amendments designed to support (1) national security, and (2) Philippine economy.)

MEMORANDUM RELATIVE TO S. 3520 AND H. R. 8351 (IDENTICAL BILLS), ABACA ACT OF 1950

(Introduced by Senator TYDINGS, May 1, and Congressman VINSON, May 3. Referred to Armed Services Committees of the Senate and House)

Sponsor: Department of Defense (Munitions Board).

Purpose: To continue and expand production of abaca (Manila fiber) in the Western Hemisphere by the United States Government.

Product description: Abaca is a hard, leaf (miscellaneous) fiber used in the making of marine and other cordage. It is classified by the Munitions Board as a highly strategic and critical material which cannot be grown in the United States. Substitutes are sisal, henequen, jute, synthetic products such as nylon, paper, wire rope, and mechanical means of material-handling not requiring Manila rope (escalator, etc.).

The possibility of substitutes, at various price levels, tends to integrate the problem of abaca and fibers commonly used for other products such as agricultural twines, and, therefore, the matter must properly be considered coordinately and not separately.

History of Central American abaca: Abaca is indigenous to the Philippines where, prior to World War II, 95 percent of the world's requirements were produced. Abaca requires growing conditions—rainfall, suitable land, etc.—such as are found ideal in the Philippines, reasonably good in other Southeastern Asia areas and possible, at great relative cost, in Central America.

Abaca was introduced into the Western Hemisphere (Panama) in the early 1920's, with the encouragement and help of the United States Government, as a national security measure. By 1941, a relatively small quantity of 3,000 acres was being grown on an experimental basis by the United Fruit Co. Immediately following Pearl Harbor, the plantings were expanded to approximately 30,000 acres to supply United States military requirements. This was by contract between the Reconstruction Finance Corporation and the United Fruit Co.

Since VJ-day, these plantings have been continued under directive of the President of the United States to the RFC, acting under authority to continue wartime projects for liquidation purposes. The last such directive, it is understood, was issued March 30, 1950, and probably is for a relatively short time, probably not beyond June 30 or July 31, 1950. It is also understood that it is unlikely that further directives will be issued without action by the United States Congress.

Abaca production in Central America has been disappointing. Because of one difficulty or another, the 30,000 acres planted has already been reduced to 25,879 acres. Production was expected to reach 64,908,300 pounds in 1949 but official statistics show it was only 30,239,050 pounds. Now it is planned to abandon or "butcher" harvest approximately 50 percent of the existing 26,000 acres.

While the cost of producing Central American abaca is greatly in excess of Philippine costs, the quality is not considered as good as Philippine abaca. This is evidenced in the fact that prices consumers have been willing to pay for Central American abaca are 1 to 2 cents lower per pound than for Philippine abaca. However, the quality is adequate for making a reasonably good finished product. The light color of the Central American abaca is due to machine decortication. Light color in Philippine abaca indicates high quality. But rope made from Central American abaca is weaker in tensile strength than that made from Philippine abaca.

Problem: The problem in this situation, particularly in view of the present wording of the proposed legislation, falls into three categories, namely, (1) national security, (2) economic, and (3) political.

1. National security: This is mentioned first solely because it is the one approach of the proposed legislation as introduced. From this single viewpoint, it is important (a) to maintain a physical stockpile in the United States and (b) to continue a reasonable production in nearby areas which can be rapidly expanded (2 years required for expansion to production) in time of emer-



gency while the physical stockpile is being utilized.

2. Economic: Production on a subsidy basis, covered in 1 (a) above, should be held to a minimum in order (a) not to have unnecessarily an adverse effect on Philippine economy and (b) so that the "stockpile" (1 (a) above) can be purchased as cheaply as possible through encouraging rehabilitation of Philippine abacá where it can be produced at the lowest cost.

3. Political: Any unnecessary United States subsidy production of abacá in the Western Hemisphere, to the obvious detriment to Philippine economy, or any failure to write this legislation in such manner as (a) to recognize the Philippines' inherent interest in abacá and (b) to carry out the solemn promises of the United States to assist the Philippines "in the full repair of the ravages caused by war" (President Roosevelt, October 13, 1943) will be considered by the Philippines as a failure by the United States to live up to its international agreements. This will have political repercussions, not only in the Philippines, but in the entire Far East.

#### WORLD SHORTAGE OF ABACÁ AND RESULTANT EXCESS COST TO UNITED STATES

It is an established fact that there is a shortage of hard fibers in the world today. The statistics relative to abacá are as follows:

Abacá	Pounds
Philippine production prewar (1,200,000 bales)-----	330,000,000
Sumatra production prewar-----	10,000,000
Central American production prewar-----	1,500,000
	<hr/> 341,500,000
Philippine production, 1949-----	144,375,000
Central American production, 1949-----	30,500,000
Sumatra production, 1949-----	0
	<hr/> 174,875,000

Difference, prewar and postwar production-----	166,625,000
Estimated annual production per acre, 1,500 pounds.	
New acreage planned in proposed legislation for Western Hemisphere (21,000 times 1,500 pounds)-----	31,500,000

Balance, requirement world production out- side Western Hemi- sphere-----	135,125,000
New acreage required outside Western Hemisphere, assuming 50,000 acres in that area as provided in S. 3520 or H. R. 8351, 90,000 acres (36,000 hectares).	

NOTE.—There is a world shortage of sisal fiber currently, due in part to the shortage of abacá and the demand for sisal as a substitute for abacá, due to price, et cetera.

Assuming that the passage of this legislation will discourage new production worldwide, at least temporarily (discussed hereinafter) and that the world shortage and resultant high prices would therefore continue, the cost to the United States of such legislation (exclusive of direct charges of the Western Hemisphere operations) would be as follows:

#### HARD FIBER PRICES

Prices of abacá (Davao "I" grade, f. o. b. New York) averaged 7.6 cents per pound United States Currency, 1935-38 average; this price is approximately 26 cents per pound today. Sisal prices, approximately 4 cents per pound in the decade prior to World War II, are now approximately 16 cents a pound.

#### Excess costs to United States per year, public and private

[Due to world shortages of hard fibers computed at 10 cents per pound for abacá and 5 cents per pound for sisal and henequen]

U. S. Government stockpile (assumed purchases of 30,000,000 pounds annually):	
Abacá-----	\$3,000,000
Sisal and henequen-----	1,200,000
U. S. Navy, abacá purchased (assumed purchases of 5,000,000 pounds annually) <sup>1</sup> -----	500,000
U. S. Government agencies (armed services): cordage purchased (based on 1949)-----	1,000,000
	<hr/> 5,700,000
SCAP, purchases (based on 1948-49 fiscal):	
Abacá-----	3,500,000
Sisal and henequen-----	1,250,000
	<hr/> Subtotal-----10,450,000
ECA procurement authorizations based on current rate):	
Abacá-----	3,000,000
Sisal and henequen-----	1,500,000
	<hr/> Subtotal, purchases from U. S. Government funds-----14,950,000
Private purchases, cordages, United States (1949)-----	8,000,000
United States farmers' purchases, agricultural twine (1949)-----	6,250,000

Total, excess cost to United States due to world shortage of hard fibers-- 29,200,000

<sup>1</sup> Purchases of cordage outside United States, probably at least 5,000,000 pounds annually, should be added.

PASSAGE OF S. 3520 OR H. R. 8351, AS INTRODUCED AND WITHOUT AMENDMENT, WILL DISCOURAGE PHILIPPINE ABACÁ REHABILITATION, ALREADY STARTED

As introduced, the proposed legislation provides only for continuation and expansion of Western Hemisphere production of abacá by the United States. Before the war Philippine abacá was exported, in weight, approximately one-third to the United States, one-third to Japan, and one-third to Europe. The United States was the best abacá customer of the Philippines in dollars because it purchased the top grades. Europe purchased the intermediate grades and Japan the lower grades.

Production on 50,000 acres in Western Hemisphere, at 1,500 pounds per acre, would be 75,000,000 pounds annually, or approximately 75 percent of the United States cordage and twine manufacturers' annual requirements. Removal of this market from Philippine exports would naturally deter capital from investing in Philippine abacá.

Financing Philippine abacá rehabilitation is required. It is difficult under any circumstances to get United States capital to move into foreign areas, as evidenced by the President's proposals in the point 4 program.

Passage of any legislation indicating or inferring a policy of the United States being solely interested in Western Hemisphere abacá would naturally deter capital, private or public, from flowing into abacá outside of the Western Hemisphere.

There can be no purpose served in trying to expand abacá production by 30,000,000 pounds in the Western Hemisphere—a possibility some United States Government personnel believe unattainable—if such efforts would discourage or adversely affect new Philippine abacá production, where at least 135,125,000 pounds additional production is required, even if the objectives of the proposed expanded Western Hemisphere production are maintained.

#### PHILIPPINE ABACÁ REHABILITATION

Philippine abacá rehabilitation is under way on a large scale.

In January of this year the Philippine Government, desirous of promoting the rehabilitation of the abacá industry and recognizing the necessity of large-scale, efficient, private enterprise, entered into a contract with private enterprise to clear, plant, and develop 18,500 acres of government land in Mindanao. It is on this island that the Japanese grew abacá so successfully prewar. Work has been under way on this project for some months, and the best available personnel in the world has been employed to carry out same.

In working out these plans there has been complete cooperation from the President of the Philippines, his Cabinet, the Supreme Court of the Philippines, business interests in the islands, and the American Embassy, all conscious of the importance of Philippine abacá to Philippine economy.

The Philippine Government is now contemplating similar arrangements by granting to the Boy Scouts of the Philippines and the University of the Philippines 35,000 acres for abacá production.

Several large private groups are waiting only for action on this proposed abacá legislation now under consideration by the United States Congress before proceeding with plans for (a) new plantings and (b) rehabilitation of existing plantings in the Philippines, all patterned on the model contract developed in January last.

#### ABACÁ IMPORTANT TO PHILIPPINE ECONOMY

So far as Philippine economy is concerned, abacá is of utmost importance. In dollar value, it has represented, over the years, 10 to 14 percent of total Philippine exports. It is currently the principal exportable item from the Philippines to hard currency areas. In 1938, there were over 155,000 farms with approximately 700,000 acres planted to abacá in the Philippines. Approximately 800,000 Filipinos, of a total population of 16,000,000 were dependent upon abacá as their sole source of cash income. Every President of the Philippine Commonwealth and Republic has agreed that abacá is one of the, if not the most essential, crops grown in the Philippines, for social and economic reasons. It is the only commodity produced in the Philippines that is practically noncompetitive with production in other areas.

#### AMENDMENTS SUGGESTED TO PROPOSED LEGISLATION

Attached hereto is a copy of the proposed legislation as introduced, showing thereon amendments suggested to accomplish the changes indicated above. In suggesting these amendments, the following objectives have prevailed:

1. They leave the Munitions Board program for Western Hemisphere abacá unchanged;
2. They avoid requesting any authority to permit any areas, other than Western Hemisphere, to participate in the authority or appropriations authorized for Western Hemisphere abacá;
3. They establish a policy of the United States being interested in an adequate production of abacá in any or all suitable areas of the world, but without requesting any authority for appropriations for such purposes; and
4. They reiterate existing authority for loans, on a reasonable repayment basis, to aid in adequate production of abacá in areas other than the Western Hemisphere. Of course, this existing authority is likewise available to the Western Hemisphere now under existing law.

These suggested amendments are designed to avoid any statement or inference in any legislation enacted that the United States is



solely interested in Western Hemisphere abacá.

Respectfully submitted.

J. S. McDANIEL.

Mr. McSWEENEY. Mr. Speaker, I yield 5 minutes to the gentleman from Michigan [Mr. CRAWFORD].

(Mr. CRAWFORD asked and was given permission to revise and extend his remarks.)

Mr. CRAWFORD. Mr. Speaker, this is a bill which is of vital interest to the national defense of the United States, not only from the standpoint of the military operation, but from the standpoint of peacetime operations or industrial operations where cordage—that is soft and hard fibers and rope and twine and products of that nature—come into the picture. Let us review this very briefly because we have very limited time on this.

During the war we did build these plants in the United States for the purpose of supplementing the fiber supply. We built plants which produced what I would term soft fiber, which can be used in many operations, but soft fiber, as everyone knows, is no good for the Army and Navy where tensile strength is concerned. Mexican hemp has never been, and perhaps never will give as fine results as the fiber from the abacá plant. The best abacá plant is grown in the southern island of the Philippines, Mindanao. Only about 30 percent of the typhoons which strike the Philippine Islands hit the southern end of the island of Mindanao. That is the natural home of the abacá plant, where you have long tensile strength fiber that grows anywhere from 9 to 18 feet in length. That is, the fiber from a single plant will run from 9 to 18 feet, of a very fine color and fine grade and great tensile strength. This bill is an addition to the Federal operations carried on by the Federal Treasury in Central America, as pointed out by our friend the gentleman from Massachusetts [Mr. HERTER]. During the war period, and prior to the war, we did finance experimental work down there. We did great service for the United Fruit Co., as well as the United Fruit Co., perhaps giving some service to the United States. These big industrial companies do not generally go around making donations to the Federal Treasury where military appropriations are involved. I will have to shown before I will be convinced that the United Fruit Co. made any donation to the Federal Treasury.

This is the statement in the bill:

Such surveys and research may be undertaken as are necessary or desirable to obtain the best available land in the Western Hemisphere for the production of abacá, the best development of abacá and development and maintenance of the plantations for the production of abacá established on such land, and the most economical and practical processing and disposition of such fiber and by-products as result from the production of abacá on such land.

An amendment has been mentioned which should go into this bill. Every day we are sustaining and defending the Philippine Republic. There are some 100,000 tons of abacá fiber in the Philippines today which should be in the na-

tional defense stockpile. What efforts are being made to put that in our stockpile? That is one of the questions I raised yesterday, and I raise it again today. Abacá production in the Philippines in 1947 rose to nearly 800,000 tons. They did what they called "butchered the harvest." That means they harvested the plants in advance of maturity so as to get the fiber on the world's market and get it into our hands to use it to make rope and other products of that nature. In 1948 the production dropped because the previous plants had been butchered. In 1949 it dropped further, and in 1950 it is estimated the production will go back up to approximately 800,000 tons. The Reconstruction Finance Corporation, for instance, is taking the production from this operation. Instead of putting it into stockpiles they are selling it in the open market. For instance, 3,000 bales were offered just recently. Two thousand eight hundred and seventy-five of those bales were picked up by private manufacturers in the United States. But we go out and subsidize these operations for national defense purposes. Why do we not put that product into the stockpile and use it for national defense? You have got to sustain the Philippine economy one way or the other. When you step out of the Philippines you step out of the Far East. Make no mistake about that. This amendment should be in this bill so that this operation will be carried on for the benefit of the United States, reaching into the Philippine Islands. That is why I am going to offer the amendment.

Mr. CELLER. If the abacá is stockpiled that would remove it from the commercial market, would it not?

Mr. CRAWFORD. It certainly would.

Mr. CELLER. And that is the purpose of the gentleman's amendment; so we would not injure the economy of the Philippines. We can get this material from the Philippines now without any danger.

Mr. CRAWFORD. That is correct.

Mr. CELLER. And we can get it cheaper.

Mr. CRAWFORD. You get it cheaper in this way, if we will let the Philippine abacá industry live, upon which we must absolutely depend. You will never get a sufficient supply from Central America, I do not care if you put out 10 times the amount of this appropriation; you must depend on the Philippines. We must let this Philippine industry live. If we do and put the product on the market we will have abacá at 16 or 18 cents a pound instead of the 26¼ it brings today.

Mr. CELLER. I thoroughly agree with the gentleman and shall support the amendment.

Mr. ALLEN of Illinois. Mr. Speaker, I yield the balance of my time to the gentleman from Michigan [Mr. FORD].

The SPEAKER. The gentleman from Michigan is recognized for 15 minutes.

Mr. FORD. Mr. Speaker, I ask unanimous consent to speak out of order.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. FORD. Mr. Speaker, at the outset let me state I yield to no citizen in my devotion to this country and I consider it an outrage that anyone in the House should accuse another of opposing legislation for the defense of our country. Yesterday, the gentleman from Indiana [Mr. WALSH], during the general debate on H. R. 9178 stated that he could point out that I had failed to vote for the defense of my country. Immediately on the floor of the House I challenged him to prove such a preposterous statement. The gentleman indicated that he would at some later date but at the time he uttered the accusation it was obvious he was talking to hear himself talk with absolutely no knowledge whatsoever as to how I had voted on any measure that has come before the House in the Eighty-first Congress. You will note in the printed RECORD today that the gentleman from Indiana during our colloquy frankly admitted he didn't know me from Adam. For any member to accuse another without facts at hand to substantiate such a charge is irresponsibility of the worst sort.

Earlier during this same speech in which he made the accusation concerning my voting record, the gentleman from Indiana patted himself on the back for never condemning any individual without a full and fair hearing or trial. Yet in the same speech, all within a period of 10 minutes, the gentleman from Indiana openly accused a colleague of voting against the defense of his country when during our colloquy it was obvious he knew nothing concerning my voting record. Mind you, my colleagues, the gentleman from Indiana frankly admitted he would have to supply the data from the RECORD when I challenged him to back up his statement. I respectfully suggest that the gentleman from Indiana be somewhat consistent when he contends he never accuses or condemns without all the facts at hand.

The gentleman's own record in the House is rather interesting. During the first session of the Eighty-first Congress there were approximately 68 highly significant legislative issues on which there were roll call votes. On 16 of the 68 the gentleman was not recorded. It should interest the House that on these same significant issues I was recorded on 65 out of the 68 roll calls. This is a somewhat better record than that of my colleague from Indiana.

It should also interest the House that on 42 significant issues in the second session of the Eighty-first Congress the gentleman from Indiana failed to vote in 12 instances while my own record indicates my absence on only 3 occasions out of the 42. Again, if attendance to duty is a criterion, the gentleman from Indiana has a far worse record than I.

I also have some other facts that are somewhat interesting. From the beginning of the first session of this Congress through June 30 there were 430 roll-call votes. I missed 17 out of the 430 votes, a 96-percent record of being on the job. The gentleman from Indiana was not recorded on 260 out of the 430 votes; in



other words, he was on the job 40 percent of the time and was absent 60 percent of the time.

In the Eighty-first Congress there were 265 votes from the beginning through June 30 on legislative matters. I missed 8 of those votes and was recorded on 197 occasions. The gentleman from Indiana missed 66 of those votes and was here for 139 roll calls.

There were 225 quorum calls from the beginning through June 30. I missed 9 of those roll calls. The gentleman from Indiana missed 104 out of the 225.

Mr. Speaker, I ask you, Who is on the job, the gentleman from Indiana or myself?

Those of us who have been selected for this position of responsibility by the voters of our respective districts owe it to ourselves and our constituents to be on the job. The gentleman's record in this regard is obviously inferior to my own. Perhaps if he was more conscientious about his attendance record the gentleman from Indiana would know accurately the voting record of his colleagues and would not fly off the handle and make such irresponsible statements concerning the record of a colleague.

Yesterday, after the colloquy between the gentleman and myself, a Member of the House suggested to me that as a test of our loyalty I put my service record of 47 months in World War II against the gentleman's Army record of approximately 13 months. I assure you that that is not a fair and honest basis for any test of loyalty or devotion to our Nation's security and welfare. Many of our fellow citizens served our Nation well and faithfully in a civilian capacity during World War II, perhaps even contributing more than we who were in the various branches of the armed services. What does perplex me, however, is why the gentleman from Indiana should ignorantly resort to derogatory and irresponsible statements of the kind made yesterday on the floor of the House.

At the time the gentleman on the floor of the House made the reference to my voting record, as I said before, he had no facts, if ever there were any, to back up his accusation. Subsequently he apparently learned my name and checked the record. The gentleman from Indiana now states because I voted for or against certain selected proposals he has proved his point. The Members of the House should know the facts on this afterthought analysis.

Let's start with H. R. 5895, the Mutual Defense Assistance Act of 1949. This bill originally called for an authorization of \$580,495,000 for North Atlantic Pact countries; plus \$500,000,000 in forward contracting for North Atlantic Pact countries; plus \$211,370,000 for Greece and Turkey, and \$27,640,000 for Iran, the Republic of Korea, and the Republic of the Philippines. On August 18, 1949, on roll call No. 188, 209 Members of the House including myself voted for the Richards amendment. This amendment was approved by a bipartisan vote and it deleted the \$500,000,000 for forward contracting but left intact the sum of \$580,495,000 for military aid to our

European allies. Does the gentleman from Indiana honestly contend that all of the 209 Members who voted for the Richards amendment "failed to vote for the defense of their country"?

It is interesting to note that the gentleman from Indiana condemns me for my support of the Richards amendment yet, according to the CONGRESSIONAL RECORD, my colleague from Indiana was not present and consequently cast no vote whatsoever on the Richards amendment. The record shows his absence at the time the vote was cast and furthermore he neither took the time or made the effort to pair himself either for or against the proposal. One who condemns another should at least have a record of his own to exhibit.

On the same day after the adoption of the Richards amendment a roll-call vote demanded on H. R. 5895 and on that vote I am recorded in favor of the bill. Again the gentleman from Indiana, who so glibly and ignorantly accuses a colleague was not present. He cast no vote and was not paired one way or another. Two hundred and thirty-eight Members supported the bill by a recorded vote. In no vote in the record on this day do I find an indication of the gentleman's attitude on this bill, yet he feels free to comment on my vote on this issue.

Subsequently the other body considered H. R. 5895 and reduced the authorized appropriation for North Atlantic Pact countries to five hundred million but added five hundred million for forward contracting and included seventy-five million for the general area of China. The House and Senate conferees approved the appropriation authorization of the House (\$580,495,000) and added the five hundred million for forward contracting as adopted by the other body.

On September 28, 1949, the conference report on this legislation came before the House. After debate the gentleman from Wisconsin [Mr. SMITH] offered a motion to recommit. One hundred and thirteen Members, including myself, supported that motion. I supported the motion to recommit because in my estimation such a vote was consistent with my vote on the Richards amendment. I ask this question: Does the gentleman from Indiana [Mr. WALSH] suggest that all of the 113 Members who voted to recommit failed to vote for the defense of their country?

On final passage of the conference report on H. R. 5895 the gentleman from Indiana and I voted the same, namely, for the bill. This was his first affirmative support for the legislation and the second time during the first session that I had supported such legislation. Obviously his blasphemous comment of yesterday, considering his own record, was not justified.

The gentleman from Indiana [Mr. WALSH] in his afterthought analysis makes much of my two votes on January 19, 1950, when the House considered and rejected the first bill authorizing economic aid to Korea. A brief review of the far eastern situation on that date is important to an understanding of why

193 Members of the House rejected this bill. Early in January of this year, just before this vote, both President Truman and Secretary of State Acheson turned their backs on and literally abandoned Formosa contrary to the views of General MacArthur, who all along has contended we must maintain the integrity of Formosa against the aggression of Red China. With the President and the Secretary of State abandoning Formosa at that time was there any justification for pouring sixty million or more in economic aid into Korea? Of course not.

This bill, H. R. 5330, proposed only economic aid to Korea, no military equipment, only United States dollars for the construction of power plants, fertilizer, and so forth. It was predicted on January 19 during the debate on this bill that Communist forces could and would overrun the South Korean Republic whenever such a military move was to the advantage of the Soviet Union. That prediction, unfortunately, has come to pass, but the recent developments in Korea certainly sustain the position of those who refused to pour United States economic aid into a militarily defenseless nation. The gentleman from Indiana [Mr. WALSH] wanted the United States to authorize sixty million for South Korean power plants, fertilizers, and so forth, when all our military leaders said the territory could not be defended yet he has the gall to accuse me, and by implication 192 others in the House, for failing to vote for the defense of our country because we rejected this proposal.

Again, on February 9, 1950, the House was called upon to consider a bill—S. 2319—for Korean economic aid. It was in effect the same bill as H. R. 5330, except certain United States funds were authorized for the island of Formosa. Frankly, this bill, with the inclusion of aid to Formosa, made sense principally because it was an admission by the State Department under Mr. Acheson that Formosa was not to be abandoned to Stalin and Red China. Prior to this change in attitude, Mr. Acheson and the President had abandoned Formosa. However, with this change in Pacific policy by the administration, I could and did support the legislation. Yes; I did vote to reduce the authorizations, but again in light of our recent military reverses in South Korea perhaps it would have been wiser to cut back some of the economic aid to the South Korean Republic. Certainly a vote on February 9 of this year to reduce but not eliminate economic aid to Korea is not a vote against the defense of this Nation. Again, as before, the afterthought analysis of the gentleman from Indiana [Mr. WALSH] is in error.

A short summary of the ill-founded accusation by the gentleman is in order. Of the eight record votes to which he refers, either directly or indirectly, he and I voted alike on two occasions. I would suggest that in these instances he is like the pot calling the kettle black. On two of the roll calls when the House considered the Mutual Defense Assistance Act of 1949, the gentleman from



Indiana [Mr. WALSH] was nowhere to be found. In other words, he cast no vote. The Members can draw their own conclusions in this instance. On the other four roll calls I voted differently from the gentleman from Indiana for good and sufficient reasons. In no way whatsoever, as the record shows, did I or the many others who voted similarly, vote against the defense or national security of this Nation. If anything, we who disapproved of Secretary Acheson's policies and supported those of General MacArthur in light of recent developments, are right and the gentleman from Indiana [Mr. WALSH] was quite wrong.

In closing, let me say no man in this House or elsewhere is more devoted than myself to our country and the principles for which it stands. At the same time never have I, nor will I ever, accuse another in the manner of the gentleman from Indiana [Mr. WALSH]. Each Member of the Congress has a duty and an obligation to vote on each and every proposal as his or her conscience dictates. It is not within the prerogative of the gentleman from Indiana [Mr. WALSH] to determine and judge the merits or errors in my decisions, particularly when at the time of his comment he was completely ignorant of the facts. The record is now corrected. I thank my colleagues for their indulgence in permitting me an opportunity to refute the gentleman's irresponsible statement of yesterday.

Mr. McSWEENEY. Mr. Speaker, I yield 10 minutes to the gentleman from Indiana [Mr. WALSH].

Mr. WALSH. Mr. Speaker, yesterday my committee chairman asked me to make some remarks, and I suggest that the House membership turn to these original remarks and just see what I said. I thought my remarks were restrained and to the point, but for those Members who were not present I suggest that they see page 11071 of the CONGRESSIONAL RECORD; in substance I pointed out that I did not care how any individual Member of this body voted previously to the present Korean situation.

Mr. McCORMACK. Mr. Speaker, will the gentleman yield?

Mr. WALSH. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. I have read the gentleman's speech, and there is no justification for the speech made by the gentleman from Michigan. The gentleman from Michigan [Mr. Ford] has read from a manuscript, showing that he made his speech with deliberation and premeditation. In the Massachusetts Legislature, when one undertook to make a speech to kill another member, we called him a "legislative killer."

Mr. WALSH. I thank the gentleman. I was sitting here listening to the debate and tending to my business when the gentleman from Michigan obtained the floor and took issue with my position, as he certainly had a right to do. I said earlier in the debate that there seemed to be a great many people that now have 20/20 vision in their hindsight. I think the gentleman from Michigan

[Mr. Ford] has 20/20 vision in his hindsight, and he also has clairvoyant powers, because I have never to this moment commented on his specific voting record in the Record of the House, and I really had no serious intention to do so. I did say yesterday that I might do so, or I would, but I did not wish to carry on this fight. However, he decided that it was his job to answer what I still consider was my inoffensive non-personal, trying-to-be-patriotic speech. We had just heard a leading Member of the House blame the present Administration of causing two World Wars, and causing the Korean outbreak.

So I sent out and got his record while he was still on the floor. I had that record present. I was upset and so was he. I did not then and do not now like to deal in personalities. In due time I am going to check personally my voting record and my record on attendance. It may not be as good as it should be, but I can assure you that I have missed few important issues and I am going to point out a few instances why it is not as bad as he claims it to be. I am a member of the Committee on Armed Services. I was also a member of the Kilday subcommittee which met off and on for more than three months during the first session of the Eighty-first Congress. We seldomly answered quorum calls when testimony was being presented. Any of you who have served under CARL VINSON on the Committee on Armed Services knows what it means to leave a committee session to answer a quorum call. Of course he has been here a long time and it does not make a lot of difference to him.

Then with reference to his remarks about my votes on the foreign military assistance bill, I can tell you very easily where I was. I was on the B-36 subcommittee in California. I was gone for more than 1 week, and the members of the committee, both the minority and the majority are unrecorded on that roll call and several others and numerous quorum calls. That is the reason I did not vote on that bill. How is he recorded on the Richards amendment to reduce military assistance to our allies? He told you. He is recorded in favor of it.

I could also go into personal reasons of illness and death in my family that prevented my attendance during four important votes. But I do not care to go into that. I do not want sympathy, and I do not care to take the time of the House to explain matters that are personal to me. But the point I am trying to make here is that without any reason whatsoever, unless it might have touched a mighty sore spot in some people's armor, I was maliciously and—I am using the word considerably—I was maliciously singled out for my remarks and attacked. I took the floor, and here is what I said, in substance:

I could point out to this Member and other Members their voting record in the past. I could, if necessary, point out where he failed to vote for what I consider to be the best interest of the national defense of our country.

We may disagree as to what is for the best interest of our country. It seems as though since the Korean situation has occurred that a lot of people are trying to get up here and apologize for their past votes, for how they voted on certain issues, such as Korean aid and foreign military assistance, which I consider to have been paramount to the success of any future defense of this Nation. I have not attacked this young man on his Korean-aid vote, but he apparently anticipated that I was going to. His vote certainly was contrary to mine, and I still personally think his vote was not in the best interest of this country, and he thinks to the contrary.

But it happens to be that a majority of the House thinks otherwise. I am not attacking his motives, nor his patriotism. I tried yesterday to answer this young man, whom I admit I had never known, for coming down here in the well of this House and saying that I am neglectful of my duty; that I walked out of the Armed Services Committee session; that I disagreed with the gentleman from Georgia, CARL VINSON; and now I am having kind words to say for him. I thought yesterday we were going to get all those things out of our system, and we were going to work side by side. I cannot help but notice that there is a great amount of apology from the left side of the aisle for past votes. I do not care personally how you voted. It is what you are going to do in the future. I do not care what we did on the right. We have not always been correct, but I feel our record of preparation for defense needs far less explaining. But it is what we are going to do now in these critical hours that counts.

So I have no apology to make for my stand or for the remarks I made yesterday. If he thinks I was personally attacking his patriotism, I apologize, because I was not then, and am not now, attacking his motives or his patriotism. But I wish to say that I seriously disagree with his powers of vision as to what was to happen in the international situation, as it is reflected in his voting record during the years 1949 and 1950 and prior to the Korean trouble.

A great many people had the same difficulty.

I wish to say one other thing in closing.

I do not think it is proper for a freshman Congressman to take the floor too often. I have never made a habit of getting up here and loudly expressing my views, as I wanted to listen and observe. A week ago I made my first speech, other than 1-minute remarks, on the floor during this session. I have been here four times since. I wish to apologize for taking the time of this body in these critical hours, but I felt it necessary, as a member of the Armed Services Committee, yesterday and last week, to make my remarks known to you Members. If I hurt any of your feelings, I did not intentionally do so. But I have a very strong conviction about this war and about unanimity and the need for preparation. I think in our Committee on the Armed Services we get more information about the world conflict than in



any committee in the Congress. As a father of children, and as a young man interested in the welfare of the Nation, I can lay aside personal differences and we can lay aside past records and think about the future. I do not propose to get into any more personal controversies with any Member of this House unless they personally, maliciously, and purposely attack me, and then, of course, I will take the floor.

The SPEAKER pro tempore (Mr. BONNER). The time of the gentleman from Indiana [Mr. WALSH] has expired.

Mr. McSWEENEY. Mr. Speaker, I yield 3 minutes to the gentleman from New York [Mr. CELLER].

Mr. CELLER. Mr. Speaker, there is no doubt that we must have a plentiful supply of hemp, cordage, and abacá, as indicated in the pending bill, for which a rule has been asked. There is no doubt that for defense purposes we must have a plentiful supply of cordage, but cutting into that requirement is also the requirement that we must unduly disturb the economy of the Philippines. The Philippine economy depends greatly upon the growth of this product and its sale in the United States. ... we can have both, that is, if we need not disturb the economy of the Philippines and we can get a plentiful supply, why not do it?

I believe the amendment that will be offered by the gentleman from Michigan [Mr. CRAWFORD] will carry out those two purposes. It will mean that all abacá that comes from this project in Central America will be stockpiled, and will not go into commercial channels. The statement has been made that the provision in the pending bill, on page 3, section 3, subdivision (c), will preclude the channeling of the fiber into commercial channels. As I read that provision, that is not so.

Furthermore, the Munitions Board presently is permitting private sale of this critical material, instead of stockpiling all of it. I am informed that vast quantities of the subsidized abacá are being sold to private United States manufacturers. If we pass this bill as is, without the suggested amendment, we place the imprimatur of our approval upon such sale by the Munitions Board and those who are in control of this subsidized abacá.

I herewith insert a letter on this important matter from my friend, the distinguished Ambassador from the Philippines and former Delegate to the House, J. M. Elizalde, as follows:

EMBASSY OF THE PHILIPPINES,  
Washington, July 24, 1950.

DEAR EMANUEL: I am writing to you in connection with the proposed legislation now pending in Congress which would authorize the continuation and expansion of the abacá production in the Western Hemisphere. I am referring to S. 3520 and its companion bill, H. R. 8351.

I hope you will appreciate my deep concern over this matter because of the disastrous effect that this legislation would have on my country if passed in its present form.

In the accompanying statement I have endeavored to state the Philippine views on this subject, the high lights of which are as follows:

1. This is not a purely defense measure since it does not provide for the channeling of the entire Central American output into the United States stockpile but instead permits its diversion to private manufacturers in competition with Philippine abacá (manila hemp).

2. The maintenance and expansion of the abacá industry in the Philippines is essential to the national security of the United States. It has been the main source for the national stockpile and its production can be increased immediately, given the necessary assistance.

3. Contrary to the impression created at the hearings, the measure does not provide stockpiling in the ground, that is, a standing abacá reserve in the field for utilization only in an emergency, because actually it is intended to extract normal yield periodically for sale to private consumers in the open market.

4. The Central American project is a subsidized operation that has proven costly to the American taxpayers. Experience has shown that abacá produced in Central America would cost 27 cents per pound as compared with 12 cents for Philippine abacá.

5. The record shows that certain private interests will derive continuing and increasing benefits from this project at the expense of the American taxpayers and the Philippine-abacá industry.

6. The abacá industry in the Philippines is one of the main foundations of our economy. It has been our experience that when the abacá industry is prosperous there is also general prosperity among the entire Filipino people because of the great number of families who depend upon it for their livelihood. The displacement of the Philippine abacá from the United States market will seriously lower the living standards of one-sixth of our population and might well become a serious threat to our security.

7. Before and since World War II despite the critical need by this country for this vital material the Philippine-abacá industry has not received any financial assistance from the United States.

8. Since no diplomatic representative of the Philippine Government could properly appear at the hearings we were unable to refute misleading and erroneous information presented at those hearings.

9. It is universally recognized that Philippine abacá (Manila hemp) is superior to Central American abacá or to any other hard fiber due to the fact that the Philippines has the right kind of soil, the favorable climatic conditions, the processing technique, and the experienced labor so necessary in production of the highest-quality fiber. This explains why this fiber has acquired the trade-name of Manila hemp and is known the world over by that name.

Knowing as I do your personal interest in the welfare of my country I am therefore taking the liberty of suggesting that this measure be amended by inserting a provision to the effect (a) that the entire output of this project be channeled into the stockpiling program of the United States and that no part of it should move into the commercial market, and (b) that the exploitation for the production of abacá in Central America be confined to the area of 25,000 acres presently devoted to this purpose and not to provide for its further expansion by utilizing any new area or additional acreage.

I would appreciate it if you could see your way clear to giving our cause your sympathetic consideration.

Sincerely yours,

J. M. ELIZALDE,

HON. EMANUEL CELLER,  
House of Representatives,  
Washington, D. C.

I believe the amendment is a good one and should be adopted.

Mr. Speaker, I ask unanimous consent to revise and extend my remarks and to include therein portions of a letter received from the distinguished Ambassador from the Philippines, J. M. Elizalde.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. McSWEENEY. Mr. Speaker, I yield 2 minutes to the gentleman from South Dakota [Mr. CASE].

Mr. CASE of South Dakota. Mr. Speaker, I am sorry that the gentleman from Indiana and the gentleman from Michigan have both left the floor temporarily. I merely want to make a brief statement which I think should be in the RECORD at this point. I was present yesterday when the statements were made that have been alluded to.

The speech accredited to the gentleman from Indiana, as it appears in the RECORD today does not correspond to what he said on the floor of the House yesterday afternoon. I make that as a flat statement on my honor as a Member of the House of Representatives. I am sure that an examination of the original transcript will show this to be the fact. I feel safe in saying that if the gentleman from Indiana ever becomes more than a freshman Member of this House he will learn that fairness in reporting the statements of what he has previously said and in maintaining the integrity of the RECORD is an attribute much to be valued.

Mr. JACOBS. Mr. Speaker, will the gentleman yield?

Mr. CASE of South Dakota. I yield.

Mr. JACOBS. What the gentleman has just said is correct, but I think the gentleman should know a little of the background before he makes that statement. Therefore an understanding is in order.

After the exchange between my colleague, Mr. WALSH, and Mr. FORD, Michigan, I met another gentleman from Michigan—and I might say that I am a friend of both Mr. FORD and Mr. POTTER, to whom I am referring, and we discussed the matter. We both agreed that there were things said which should not have been said. We were right at the back of the center aisle. I do not like to see my friends fussing among themselves, especially when I know both of them and know they are both gentlemen.

Mr. CASE of South Dakota. I think the whole incident may have been unfortunate but I think the RECORD should not be allowed to stand as indicating that what appears in the RECORD today is an accurate record of what was said yesterday.

Mr. JACOBS. Let me say I agree with the gentleman, but it was done pursuant to an understanding between me, Mr. POTTER, and Mr. WALSH, and I am sure Mr. POTTER will confirm it. I asked him to delete a portion. That is why there is a difference between what Mr. WALSH said and what is printed.

Mr. CASE of South Dakota. Then it should not be used by reference today; the printed speech should not have been



used by reference today as giving what was actually said yesterday.

Mr. JACOBS. I am not going to argue about the ethics of the situation; I simply state that it was pursuant to a conversation that took place between me and Mr. POTTER, of Michigan, that the change was made.

Mr. CASE of South Dakota. I want to express appreciation to the gentleman from Ohio [Mr. McSWEENEY] for yielding time permitting this matter to be cleared up.

Mr. McSWEENEY. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

Mr. DURHAM. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (S. 3520) to strengthen the common defense by providing for continuation and expansion of Western Hemisphere production of abacá by the United States.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (S. 3520) for the expansion of Western Hemisphere production of abacá, with Mr. LYNCH in the Chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from North Carolina [Mr. DURHAM] will be recognized for 30 minutes, and the gentleman from Missouri [Mr. SHORT] for 30 minutes.

Mr. DURHAM. Mr. Chairman, I yield myself 15 minutes.

Mr. Chairman, the purpose of the proposed legislation is to strengthen the national defense by authorizing the United States Government to continue its assistance in the development of a source of abacá—Manila fiber—in the Western Hemisphere.

Abacá is a fibrous plant, indigenous to the Philippines, from which manila hemp is produced. It has been declared to be a product of strategic importance to the national defense and to be in critical short supply. It is being stockpiled under the Strategic and Critical Materials Stockpiling Act.

Prior to World War II, practically the entire supply of abacá came from the Philippines. During the war this source became unavailable and the production of cordage of all kinds suffered because of the nonavailability of abacá. The reaction was of a chain nature, in that as abacá became scarce the producers of cordage were forced to use other less desirable types of fibers, which depleted the stocks of those materials. Eventually, all types of cordage, from those required in agriculture to those required for war purposes, were in extremely short supply. To partially offset this shortage, the Reconstruction Finance Corporation, acting under special legislation to develop defense industries, began the production of abacá in Central

America. Climatic and agricultural conditions in that area were satisfactory and the Department of Agriculture had developed sufficient technical knowledge to make such an endeavor feasible.

When this program of abacá production in Central America was undertaken, it was found that the United Fruit Co. was already engaged in the production of bananas in some of those countries and had the physical facilities available to undertake the production of abacá. Through a management contract between RFC, as the agent of our Government, and the United Fruit Co., this program was instituted, and at the present time there are approximately 25,000 acres under cultivation. By various laws the Reconstruction Finance Corporation has been required to withdraw from such types of activity, excepting in those areas where they already have projects under way.

This bill would permit the Government, through the reconstruction Finance Corporation or any other appropriate agency, to continue cultivation of abacá in the Western Hemisphere. However, it places a maximum limitation of 50,000 acres which can be planted to abacá, and it further provides for the establishment of a revolving fund, from which fund no more than \$35,000,000 can be outstanding at any one time. It further provides that there shall be added to such advances and treated as advances an amount equal to the net value of assets of the program for the production and sale of abacá as held by the Reconstruction Finance Corporation on the effective date of the act.

In this connection, it is appropriate to point out that the present abacá program in Central America entailed an investment of \$40,000,000. A total of approximately \$28,000,000 has been recovered by the Government from the product produced. It is estimated that if it should become necessary to abandon this project, the Government could recover approximately all of the remaining obligation of \$12,000,000 through the liquidation of physical assets and by butcher harvesting the 25,000 acres of abacá now under cultivation. Therefore, the continuance by the Government of the production of abacá in Central America, at current market prices, indicates that the project could be continued and expanded on a self-liquidating basis.

The availability in Central America of a ready source of abacá lessens the amount required in the stockpile where it is presently being stored. This is of major importance since Manila fiber, under presently known measures, can be stockpiled or stored for a maximum period of approximately 3 years, after which it must be rotated, and in the event all of our stockpiling requirements of fiber had to be met from the Philippine source, it is possible that the cost of that particular item in the stockpiling program would be greatly increased because of the inability to properly rotate the stocks.

The prewar rate of production of abacá in the Philippines was 400,000,000 pounds per year, and there was a ready

market for every pound of that fiber. The Philippines had then and have now a natural monopoly on this product and can produce, as they did in the past, approximately 95 percent of the world supply. Under present conditions, the Philippine production has dropped to 160,000,000 pounds annually. Our Central American production is approximately 30,000,000 pounds annually, and very limited acreage in Sumatra produced 6,500,000 pounds in 1949. This is a total world production of 196,000,000 pounds as against the prewar Philippine production of 400,000,000 pounds. So there can be no dispute that there is a world-wide shortage of abacá.

The Department of Defense, the Munitions Board, the Department of State, the Reconstruction Finance Corporation and the Cordage Institute are unanimously in favor of this legislation. Some fear has been expressed by others that the passage of this bill would be interpreted by normal financing agencies in the United States as indicating a policy which might deter financing of abacá production in the Philippines. The Senate committee clarified this situation by amending the policy declaration of the bill to provide that it is the policy of the United States to encourage abacá production throughout the world. This committee subscribes to that broader statement of policy. The fact that this bill gives financial support to Central American abacá production and not to the Philippines is based entirely upon the premise that this is a defense measure. The Philippines have been and will continue to be the main producers of abacá in the world. Their production, so long as it is available, is the backbone of our cordage industry. However, in the Western Hemisphere, the United States is, in effect, going into business for itself to provide insurance against the possibility that some unfortunate and unforeseen circumstance might again deny to us other sources of abacá. I would also like to point out that while our present abacá production in Central America is limited to four countries—Panama, Costa Rica, Honduras, and Guatemala—this fact should not be construed as being discriminatory against any other Central American country. The choice of locations for this production is determined entirely by practical and technical considerations.

In no sense should the proposed legislation be interpreted to indicate any lack of interest on the part of the United States Government or American industry in the development and utilization of abacá from the Philippines or any other source throughout the world.

In approving the proposed legislation, the committee wishes to emphasize that it does so on the basis that the legislation is required in the interest of national defense. The committee has fully considered the possibility that the Government project in Central America might become unduly competitive with Philippine abacá and thereby operate to the detriment of the Philippine economy. While there are those who express this fear, the proponents of the bill express



the opinion that there will be a ready market for all of the abacá which the Philippines can produce, and that the competitive feature is more fancied than real. The committee takes the position that there are so many intangible considerations that no one can accurately forecast the end results of this legislation, but that it must be enacted in the interest of national defense.

The bill contains certain safeguards which are calculated to prevent undesirable results. It authorizes the President to terminate any contracts for Central American abacá production, allowing only such additional time as is necessary to liquidate the operation. The committee has added an additional safeguard in that it has amended the bill to provide that the Congress, as well as the President, shall have the authority to terminate the contracts. We hope that our amendment will reassure the Philippine Government. The bill requires that a report be submitted to the Congress at the close of each fiscal year, and it is the intent of the committee that the matter shall be followed closely in order to determine at the earliest practicable date any effects which may be unduly detrimental to the Philippine economy, and to take such corrective steps as the circumstances may require. At present it is anticipated that the Reconstruction Finance Corporation will act as the agent of the Government in contracting for the Western Hemisphere abacá production.

The Secretary of Defense recommends and the Bureau of the Budget approves the proposed legislation.

It was favorably reported to the House by the unanimous vote of the Committee on Armed Services.

Mr. ROGERS of Florida. Mr. Chairman, will the gentleman yield?

Mr. DURHAM. I yield.

Mr. ROGERS of Florida. I wonder if the gentleman or the committee took into consideration a product known as ramie.

Mr. DURHAM. I do not recall that ramie was mentioned in the committee. We were dealing only with abacá, in this special piece of legislation.

Mr. ROGERS of Florida. Ramie is a very strong fiber. It has more lasting quality, I understand, than abacá. I wonder, if we introduced a bill, and it did have merit in it, and it had the approval of the Munitions Board and others, the committee would give it consideration.

Mr. DURHAM. The gentleman very well knows that if it is anything pertaining to national defense and will help our national defense we would certainly consider it.

Mr. ROGERS of Florida. Would the gentleman rather take that procedure than have an amendment offered to the bill at this time?

Mr. DURHAM. I have already said that I hope the House will adopt this bill as it is, without amendment. I do not believe that is necessary.

Mr. NICHOLSON. Mr. Chairman, will the gentleman yield?

Mr. DURHAM. I yield to the gentleman from Massachusetts.

Mr. NICHOLSON. Would this abacá contract you are proposing hurt or help the Plymouth Cordage Co., which has been doing business for over 100 years?

Mr. DURHAM. I am looking for a statement made by the company, in which I am sure the gentleman would be interested, because he is conscientious in looking after his constituents. I compliment him for it.

I will be very glad to refer the gentleman to the statement in the hearings in which this legislation is favored by the company.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield?

Mr. DURHAM. I yield.

Mr. CRAWFORD. I think the gentleman has made a very fine statement on this bill.

Mr. DURHAM. I thank the gentleman.

Mr. CRAWFORD. I am going to ask the gentleman this question. I am going to ask you a technical question which has to do with the operations of the law of commodities. Here is a world-wide product.

Mr. DURHAM. The gentleman means the use of this product is world-wide, but it is not grown everywhere throughout the world.

Mr. CRAWFORD. The production of this product is highly concentrated in a small area and the world is dependent upon that small area. That area was practically annihilated by the Japanese. Yet within 5 years after that annihilation it comes back to approximately 60 percent of its prewar production. I am referring now to the Philippine Islands and to the total which appears on page 6739 of the hearings, it seems. I do not know why that page number is so high.

The United States Government has world-wide operations today and a terrific toehold in the Philippines which we must hold. Yet the Government of the United States is starting on a program here which I sincerely believe from the standpoint of the law which governs in the commodity field, unless we amend this bill we are striking a terrifically damaging blow to the small area upon which we must depend for our supplies.

Now my question is this: How can this production go ahead under this bill as here presented, without any amendment whatsoever, without seriously affecting the expansion of production in the Philippines and without seriously affecting the price upward which American people must pay for this sisal fiber.

Mr. DURHAM. I will endeavor to answer the gentleman's question. It is rather broad, and, of course, it is highly technical. I think the answer is this: that you will not get any production out of that acreage which you are planting for 3 years at best. So you only have 30,000,000 pounds annually, which is about all that we recovered down there from what we have already planted. We have a stockpile shortage, and according to the figures of the American Cordage Institute the cordage industry in this country is consuming 80,000,000

pounds annually, so there is going to be a shortage of this fiber, in my opinion, for the next 10 years.

There are five or six reasons why they have not got back into production in the Philippines. They are all pointed out in the hearings. There are several good reasons for it. On page 6702 you will find five reasons why they have not gotten back into production, which are sound reasons, in my opinion.

Mr. CRAWFORD. The gentleman stated it would be approximately 3 years before we got this new acreage into production?

Mr. DURHAM. That is correct. It takes 3 years from the time it is planted before it is harvested. That is one of the great troubles in the Philippines today. They have been going in there and cutting the fiber any time that they can get some growth on it, when they ought to cut it about every 18 months.

Mr. CRAWFORD. If the gentleman will permit, I think the record shows they are not doing that now. They did butcher their harvest. They did butcher their harvest in 1947, when there was no sisal hemp throughout the world, and when there was the pressure on them to do that.

Mr. DURHAM. I cannot say whether they are doing it at this very hour, but from the information that the committee had that is what we learned. Of course, those small farms were divided up by the Japanese. The Japanese controlled most of this fiber production prior to World War II.

Mr. CRAWFORD. That is correct.

Mr. DURHAM. They were producing 60 percent of all the abacá produced in the Philippines on only 28 percent of the Philippine land under abacá production.

Mr. CRAWFORD. Did the gentleman say prior to World War I?

Mr. DURHAM. No; prior to World War II.

Mr. CRAWFORD. I have to disagree with that. I have studied this very closely, and I cannot agree with that.

Mr. DURHAM. They controlled a large percentage of the crop.

Mr. CRAWFORD. In Mindanao they did. They went in there illegally and acquired the lands illegally, which they should not have done.

Mr. SHORT. Mr. Chairman, I yield myself 10 minutes.

Mr. Chairman, I think every Member of this House is indebted to the gentleman from North Carolina [Mr. DURHAM], who has spent so much time in carefully considering and weighing every aspect of the problem we are now dealing with.

As chairman of the Subcommittee of the Armed Services Committee dealing with stockpiling, the gentleman from North Carolina [Mr. DURHAM] has given unselfishly and unstintingly of his time and effort, always exercising great patience, clear insight, and sound judgment in dealing with the various problems that come before that subcommittee.

Of course, this bill is really overdue. I would like to pause long enough to remind the Members of the House that we



came dangerously near losing the last war due to the shortage of rubber. When the two large battleships of the British Navy were sunk at Singapore in Malay waters, our natural supply of rubber from the Orient was cut off. Not until Big Bill Jeffers, president of the Union Pacific at Omaha, was brought to Washington, and finally brought order out of chaos in building synthetic rubber plants and we got that industry going, were we assured of victory, because rubber, like steel and oil, is indispensable in fighting a modern, mechanized war.

The Government spent over \$700,000,000 in building synthetic rubber plants. When the war ended there was a natural inclination and desire on the part of some people for the Government to dump or get rid of those plants as quickly as possible. Fortunately, the Congress of the United States was wiser than the people who expressed that opinion. Under the able chairmanship of the gentleman from Michigan [Mr. SHAFER] in the Eightieth Congress, we passed legislation that kept many of those synthetic rubber plants in operation and others in a stand-by condition. Up until recently, since we have had an advance in the price of rubber, automobile tires are practically the only article or commodity that one could buy as cheaply as he could before the last war. As the Members of the House know, we are now using more than 200,000 tons of synthetic rubber, mixed with the natural product, annually, which has kept that industry alive, and will stand us in good stead not only in time of peace, and give as good or better product for less money, but which will be absolutely indispensable in case the trouble in Korea should spread into a world-wide conflict.

Unfortunately, we did not exercise good, sound judgment as far as abacá or Manila hemp is concerned. This fiber is indigenous to the Philippines, and we depended practically altogether on the Philippine supply before the last war. It was not handled properly by the Congress at the end of the last global conflict. The chairman of the subcommittee, the gentleman from North Carolina [Mr. DURHAM], has clearly and forcefully pointed out the acute shortage of abacá, which is essential not only to our Navy and other branches of the armed services in time of war, but which is needed very much in our domestic industry, particularly in agriculture, as far as binding twine is concerned. It is most unfortunate that we have not kept those plantations in the different countries of Central America in production and as going concerns, just as we have our synthetic-rubber industry.

This bill provides that we shall plant not in excess of 500,000 acres, and that there shall be a revolving fund of not more than \$35,000,000. I will admit that is a considerable amount of money, but it certainly is not too much for this essential and strategic material. We spent over \$700,000,000 developing our synthetic-rubber industry. While it is a large amount, it is absolutely needed from the standpoint of national defense.

Mr. NICHOLSON. Mr. Chairman, will the gentleman yield?

Mr. SHORT. I yield.

Mr. NICHOLSON. If this expenditure would just take care of the binding twine, it would be worth while; would it not?

Mr. SHORT. I would not go quite that far. We are not doing it for our domestic economy; we are doing it chiefly because of the necessity of having it for the different branches of our armed services, particularly the Naval Establishment.

Mr. Chairman, the fears of our friends in the Philippines that the industry will be developed to the extent in Central America that it will destroy the Philippine economy are, in my judgment, unfounded. This bill will not prevent the production of abacá in the Philippines; in fact, the United States Government will buy every pound that the Philippines can produce.

Members realize that the Philippine Islands are 7,000 miles away from the United States. Do not forget that Russia has 270 snorkel submarines and has been assisted by German genius in developing those submarines. They can sail at a deeper depth and greater speed than any other submarine in the world. If we have to depend upon the Philippines with this long distance from the continental United States for our supply, we might find ourselves in the same sad predicament that we found ourselves as far as synthetic rubber was concerned when the supply of natural raw rubber was cut off by the fall of Singapore.

I ask the Members not to forget that of the 59 tankers hauling oil from Aruba, Curaçao, and Venezuela in the early months of World War II, 54 were sunk by Nazi submarines off our Atlantic coast until the coast line all the way from Baltimore to Miami, but more particularly down off Cape Hatteras, N. C., was almost a sea of oil.

It is wise that we help our Central American friends as we help our Philippine friends; we want good neighbors near by us, a source of supply that is accessible.

This bill is not a bill to injure any other country or help any other country; it is a bill to save our own necks. I am glad the able gentleman from North Carolina has given us such a clear and forceful picture of the problem with which we are dealing. The full committee, as well as the Subcommittee on the Armed Services, unanimously reported this bill, and I think not a single Member of the House would want to vote against it. I shall not, therefore, use any more of my time but will reserve the balance. I am glad now to yield 2 minutes to the gentleman from Texas [Mr. THOMAS].

Mr. THOMAS. Mr. Chairman, I ask unanimous consent to proceed out of order and read a short newspaper article.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. THOMAS. Mr. Chairman, before I proceed out of order I wish to commend

the gentleman from North Carolina and the gentleman from Missouri, and the members of their subcommittee on the fine, outstanding job they have done on stockpiling. And may I take the liberty of saying on behalf of the Subcommittee on Independent Offices of the Appropriations Committee that handles stockpiling, that we not only have gone along in the past and supplied the necessary funds, but we are going along in the future.

We cannot afford to take any chance. As far as this particular item is concerned, again we cannot afford to take any chance. If we hurt our beloved friends, the Filipinos, we must make it up to them in some other way. I am sure we will. We are their friends, they are ours, and no one has the slightest intention of hurting them.

Mr. Chairman, I have in my hand an article of July 24, in the Houston Post which I want to read. It applies not only to my town but to every town and city in the United States.

Mr. NICHOLSON. Mr. Chairman, will the gentleman yield?

Mr. THOMAS. I yield to the gentleman from Massachusetts.

Mr. NICHOLSON. May I say to the gentleman from Texas that I am grateful for what he has said about this bill and about the gentleman from North Carolina and the gentleman from Missouri. I heartily agree with everything they have said about this matter.

Mr. THOMAS. I thank the gentleman.

This article refers to my city of Houston and reads:

#### TYRANTS ROLL

The sheriff's department has a list of 123 Houstonians who, it says, are members of the Communist Party and who, as such, are your enemies and mine. In the list are the names of 15 Houstonians who, says Sheriff's Captain Loyd Frazier, are prominent (though he adds that none are wealthy). There are also at least 200 more card-holding Reds in Houston. Every one is a potential saboteur; every one is a scab on the United States' war effort. And every one is protected by United States law. But there's one way you can help put a stop to this—write to your Congressman. His name: ALBERT THOMAS. His address: Washington, D. C. Let's change the status of home-front Communists before they get a chance to change ours.

Mr. Chairman, may I make the observation that the American people are kind and generous. We know all of that. However, we have some people in our midst that we have given a mile of latitude when they should not have had perhaps more than a quarter of an inch. We are the only people on earth who would give them more than a quarter of an inch.

It is as certain as I am standing here today—this is just a little advice; it is not friendly advice, either, to the professional Communists in this country—as sure as I am standing here today, if we have any sabotage of any magnitude and any damage is done, the people of this country will rise up in holy horror and woe be unto the Communists. There may be some compounds built, and they may be safely put away for the duration.



Mr. SHORT. Mr. Chairman, will the gentleman yield?

Mr. THOMAS. I yield to the gentleman from Missouri.

Mr. SHORT. Is that not a strong argument for the passage of this bill? In other words, we may need a lot of rope to hang them?

Mr. THOMAS. There is something to think about in the gentleman's observation.

Mr. SHORT. Mr. Chairman, I yield 5 minutes to the Delegate from Hawaii [Mr. FARRINGTON].

Mr. FARRINGTON. Mr. Chairman, I am entirely in sympathy with the purpose of this legislation. We who live in the Pacific realize the importance of protecting supplies essential to national defense. The gentleman from Missouri has very aptly pointed out what happened to us as the result of our complete dependence upon the production of rubber in Malaya. He also pointed out how our supply of abacá was cut off completely in the last war. In my opinion, it is vital that an arrangement be arrived at which will provide for an adequate stockpiling of this product.

I am, however, very greatly concerned about the feeling which prevails in the Government of the Philippines that this legislation is going to seriously injure their abacá industry. Its importance to the Philippines is very manifest when you realize that 155,000 farms are producing abacá. There are some 800,000 Filipinos who have an interest in this industry. It is the cash crop of an enormous number of small Filipino farmers.

Mr. Chairman, it is important to the national security that we protect these farmers and also preserve their friendly attitude toward this country.

I hope, therefore, that it will be possible to achieve the objectives of this legislation, and at the same time preserve the friendly relationship with the Filipinos, which is so important to our country, by adopting the amendment that will be offered by the gentleman from Michigan [Mr. CRAWFORD]. As I understand that amendment, it will require that the production of abacá in Central America under this arrangement be utilized entirely for stockpiling. I cannot see any sound objection to adopting this amendment. It will satisfy the Filipinos that their industry is not going to suffer.

I understand that loans that are necessary for certain developments in the abacá industry in the Philippines will be denied if this amendment is not adopted. I feel it is vitally important to our interests in the Pacific that we strengthen our economic ties with the Filipinos rather than weaken them. I think it is particularly important under present conditions that we do this. It seems to me that the proposal that will be made by the gentleman from Michigan is simple enough and will not injure the main purpose of this bill, and should be adopted.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield?

Mr. FARRINGTON. I yield to the gentleman from Michigan.

Mr. CRAWFORD. It is not only for the protection of the Filipinos. We have in this country millions of consumers of sisal products, and, as in the case of synthetic and natural rubber, which the gentleman from Missouri referred to, we have a duty to preserve and protect the price structure to our consumers. The Delegate from Hawaii has pointed out that there are 155,000 Filipino farmers who are ready to grow sisal or Manila hemp now to deliver in the coming months, not 3 years from now. I am not talking against this bill. I am talking against the proposal to discourage those people in producing that product, and this amendment will encourage them to go ahead and produce on those 155,000 farms and keep up the production instead of being discouraged and driven out by the fact that this subsidized production in Central America goes into the open market against those little producers and drives them out of business.

Mr. FARRINGTON. I might add that I have been told that one of the reasons for this legislation is that a large quantity of abacá is at the present time being held in the Philippines. Something like 80,000 bales are said to be held there by three American corporations and not by the Filipino farmers and the plantation operators that produced it. I think we ought to go out and get that abacá.

Mr. DURHAM. Mr. Chairman, if the gentleman will yield, I may say to the gentleman that we went into that very carefully, and I would like to read a statement from the Munitions Board relative to those charges:

Pursuant to your request, I have attempted to obtain some information relating to an allegation that between 60,000 and 100,000 bales of abacá fiber are being held in Manila by International Harvester Co. and Columbia Rope Co., anticipating a rise in price. Mr. John Goble, secretary of the Cordage Institute, advises by telephone that this allegation is entirely false. Both of these companies have replied to an inquiry that they are holding no materials in the Philippines anticipating a rise in price; and, in fact, the only materials there available are the "pipeline" supplies. Normal pipeline would run around roughly 60,000 bales. The Philippine Inspection Service at Manila furnished to the Cordage Institute information about a letter to Mr. McDaniels which letter indicates that there were on hand 40,000 bales of abacá in the inspection, grading, packing, and preparation for shipment processes. This is in fact below normal pipeline, which is about 60,000 bales. No materials are being held for any reason other than the normal preparation treatment; the supply is below normal (in fact Columbia has on hand in the Philippines 552 bales and orders for 766); and there is a ready market, including the stockpile, for any materials which are available. International Harvester Co. and the Columbia Rope Co. are prepared to furnish the committee a telegram denying these allegations.

I just wanted to clear that up.

Mr. FARRINGTON. I thank the gentleman for clarifying that point. I hope the gentleman will agree to the amendment to be offered by the gentleman from Michigan [Mr. CRAWFORD].

Mr. DURHAM. Mr. Chairman, I yield 5 minutes to the gentleman from North Carolina [Mr. DEANE].

Mr. DEANE. Mr. Chairman, in the debate involving the pending legislation there may be a feeling on the part of some that we are not doing what we should for the Philippines. May I point out just what the United States is doing for the Philippines.

First let me say we should approve this legislation without crippling amendments because the Committee of the Armed Services in asking the support of the committee is acting in the best interests of the American Government.

I now refer to what this Government is doing in support of the Philippine domestic economy.

We are all somewhat familiar, perhaps, with the War Damage Commission and the work that is being done by the Commission in the Philippines today. On June 30, 1950, only 662 private property claims remained to be approved. These are significant figures. The Commission had completed the adjudication of 1,248,000 claims and paid \$302,700,000 into the Philippine economy. These settled claims were submitted for a total of \$1,137,000,000 and approved for \$503,500,000. The average rate of allowance so far has been 55.73 percent.

In accordance with the law, the Commission has paid in full all claims approved for \$500 or less, and paid \$500 plus 30 percent of the approved remainder on the larger claims. With the \$400,000,000 authorized by Congress, it is estimated that funds will be adequate to permit the payment of an additional 20 percent. Thus, large claimants will ultimately receive 50 percent of their approved claims. These second payments will be inaugurated in September and concluded in October. Approximately \$87,000,000 will be distributed in the Philippines during the remaining months of the calendar year.

In the field of public property claims the Commission on June 30, 1950, had awarded \$55,250,000, all of the funds allotted to it by the Department of State for the restoration of public buildings. It had approved 1,876 public projects, of which 1,120 were completed. The remainder will be finished before the Commission closes its doors. Despite a reduced staff, construction will continue to be supervised, and the \$8,000,000 still unpaid will be disbursed as the buildings are completed.

The reason I am pointing out these significant figures is the fact that the American Government, it seems to me, is keeping its promise to the Filipino Government in our desire to stand by our friends there and there is no desire on the part of the Congress to take anything away from the Philippines.

I am quite sure that there is available to the committee delicate information which, if spoken on the House floor, might indicate that we do not have full confidence in the Filipino economy. At the same time, as we face one emergency after another, it seems to me the only proper step for us to take is to come to grips with this important subject and be prepared to develop all kinds of strategic processes that are necessary so that we



may be sure that we have all critical material we need.

The potentialities of the Philippines are of course unlimited. They have great natural resources. At the same time, it is a young nation. We have seen what has taken place in Korea. What has taken place in Korea could very easily take place in the Philippines, as well as Burma and some of these other great sections of the Far East. For that reason, I trust that the amendment that will be offered by the gentleman from Michigan will not be adopted.

Mr. FARRINGTON. Mr. Chairman, will the gentleman yield?

Mr. DEANE. I yield to the Delegate from Hawaii.

Mr. FARRINGTON. I do not believe that the gentleman intends to suggest that what has taken place in Korea is likely to take place in the Philippines, because the background is entirely different. The Filipinos, with almost no exceptions, have been intense in their loyalty to this country. An entirely different situation prevails in Korea.

Mr. DEANE. I might point out this fact to the distinguished Delegate from Hawaii. I have in my hand a letter from a friend of mine in Manila dated July 18. I would like to read a paragraph of that letter:

Developments in Korea have created anxiety in the Philippines. A few of the large American firms have permitted dependents of staff members to return, if they wish. None have been ordered to do so. Momentarily the chief anxiety appears to be a possible shortage of shipping space and its effect upon imports and foodstuffs and capital goods essential for reconstruction.

This friend goes on to say:

There is a feeling of relief that the United States has taken a strong and a vigorous position.

But I feel as we consider this legislation today we must necessarily think in terms of making America strong. If it means we must underwrite certain economic measures in other sections of the world which may have an impact upon the Filipino economy, it does not necessarily follow that we are not going to do what we should or what we will continue to do to try to assist that great section of the world.

Mr. LECOMPTE. Mr. Chairman, will the gentleman yield?

Mr. DEANE. I yield.

Mr. LECOMPTE. Does the gentleman have the same feeling expressed by the Ambassador to the Philippines in a letter to many of us, that his apprehension is unfounded and that this bill does not threaten the economy of the Philippines in any way?

Mr. DEANE. The letter I have before me is not from the Ambassador of the Philippines.

Mr. LECOMPTE. No, but you did get one from the Ambassador, did you not?

Mr. DEANE. No, I have not.

Mr. LECOMPTE. He wrote to several of us that in a general way, I think, he is in favor of this bill, but he did think there should be some amendments made to it. You are not familiar with that?

Mr. DEANE. No, I am not. But I

would point out that in September and October of last year I spent approximately a week in the Philippines. They are faced with very severe problems in their economic development. I am not convinced in my own mind that at the present time they are in a position to follow through and produce the goods and merchandise that would be needed in the event of a serious emergency.

Mr. LECOMPTE. I thank the gentleman for yielding.

Mr. SHORT. Mr. Chairman, I yield 5 minutes to the gentleman from Pennsylvania [Mr. FULTON].

Mr. FULTON. Mr. Chairman, we should examine this legislation on Government production of Manila hemp to see what it really is. When the United States Government puts up \$35,000,000, I believe the committee will agree with me that it is putting up the entire capital of this proposed abacá industry expansion in Central America. So that if there is such a thing as socializing any industry, the Congress will be socializing the abacá industry in Central America, but for the purposes of United States National defense.

In order to justify such a position it clearly must be shown that this is a defense measure and is required for the safety and security of the United States. I am unable to see that this bill in its present form is completely and exclusively a defense measure. The bill as the committee has drawn it, on page 3, section (c) of section 3 contains the following language:

Abacá fiber, produced under this Act, which from time to time is not needed for stockpiling under the Strategic and Critical Materials Stockpiling Act (60 Stat. 596), as amended, may be sold otherwise than for stockpiling under such act.

Therefore, this bill as drawn, contemplates Government competition with private industry, and such Government competition can be used as a precedent for other industry. The only difference in this bill's treatment of the abacá industry, as against the steel industry in this country is that this is a specialized defense industry down in Central America, and the Government intervention is cloaked in the garments of defense.

Then, looking a little farther to see what has been the situation previously on abacá production in Central America, we see that during the past few years the Central American output has only moved into the United States national stockpile at the rate of 10 percent of their total output. Nine-tenths of it went into private commerce.

I am glad the gentleman from Michigan [Mr. CRAWFORD] has offered this amendment, in order to keep this bill from socializing this industry abroad and competing with one of our good friends, the Philippine Republic. Congress should adopt the gentleman's amendment to insure that this government-produced abacá does go into the national stockpile. I believe that is what the gentleman's amendment does, does it not?

Mr. CRAWFORD. That is the only purpose of the amendment. Here are what you are doing under this plan: The

taxpayers of the United States are simply putting up the money to carry the stocks in the arms of the RFC so that private operators do not have to carry those stocks through purchase in the Philippines, carry insurance, and pay the interest while the stocks are moving to the wheels which convert it into rope. Subparagraph (c) should go out of this bill. It should never have been put in there. It should go out for the protection of the people of the United States—the taxpayers.

Mr. FULTON. That is right.

Mr. CRAWFORD. Let industry carry its own burden. That is the reason I stand for private industry, but if it chisels on the taxpayer all the time, then I am not so anxious to defend private enterprise.

Mr. FULTON. I agree with the gentleman that we must safeguard private enterprise, because once Congress gives the Government unlimited range in any defense project and does not limit its field simply to defense, we are then subsidizing outside competition to private enterprise.

Mr. DURHAM. Mr. Chairman, will the gentleman yield?

Mr. FULTON. I yield.

Mr. DURHAM. So far as I know there is not a private enterprise individual in America opposed to this measure. The Cordage Institute appeared before our committee and they are for it. Under this amendment not a pound would go into the stockpile in 3 years, because you cannot get any production under 3 years. You have got to rotate this every 3 years. Who is going to take it if private enterprise does not take it? You have got a problem that you cannot solve without turning this into private enterprise.

Mr. FULTON. This Government subsidy, with \$35,000,000 of taxpayers' money, is going into the production of abacá in Central America. The average cost in the Philippines has been 12 cents a pound. In Central America where it will be subsidized under this bill, the cost has averaged 27 cents a pound. In addition, as to the Philippine production we have not been using the full amount of it.

Mr. CRAWFORD. Of course the private operators are not objecting to this bill. They want the bill, because the taxpayer carries the burden for them. Why in the world should they object to the bill? Of course they do not. They are all for it. Why would they not be for it?

The CHAIRMAN. The time of the gentleman from Pennsylvania [Mr. FULTON] has expired.

Mr. SHORT. Mr. Chairman, I yield 2 minutes to the gentleman from Kentucky [Mr. MORTON].

(Mr. MORTON asked and was given permission to revise and extend his remarks.)

Mr. MORTON. Mr. Chairman, I ask unanimous consent to speak out of order.

The CHAIRMAN. Is there objection? There was no objection.

Mr. MORTON. Mr. Chairman, as the father of two sons, one of them 18 years of age, as an officer in the United States Naval Reserve, and chiefly as a citizen of this country, the final outpost of free-



dom, I find myself deeply concerned in these troublous times. Yesterday I listened with interest to the able and distinguished chairman of the Armed Services Committee. He commented on certain past policies of this our Government. He particularly pointed out our pursuit of the calculated risk. He emphasized the fact that we needed more calculation and less risk.

If one can give credence to the comments in the press and on the air one reaches the conclusion that those in high place fear a total mobilization because of the possible impact on the American economy and consequently the recovery effort of all freedom-loving war-torn nations. Mr. Chairman, we still face a calculated risk. I for one prefer the economic risk to the military risk. I have full confidence in the will to produce so characteristic of this country. To an extent that will today lies dormant. Action by this Congress is required to give it full expression.

Let us go, Mr. Chairman. Are we seriously worrying about an economic impact at the expense of our military security? If so, our economy may well be dictated in the years to come by the men in the Kremlin. Taxes, allocations, price controls, regimentation, rationing, a 48-hour week—all are unpopular but the people are ready—they are far ahead of us. Again I say: "Let us go."

Mr. DURHAM. Mr. Chairman, I have no further requests for time.

Mr. SHORT. Mr. Chairman, I yield myself 3 minutes.

Mr. Chairman, no person whom I have ever seen has greater distrust and dislike for socialism than I, and certainly I am not going to approve Government competition with private enterprise. Government with competition is good for good government; I think it is good for good business. I think that the fears of many of the Filipinos and their friends here—and all of us are their friends—are really unfounded.

In the time I am taking I want to read two paragraphs from our report, and we are indebted to our able, hard-working staff member, Robert Smart, for this language. I quote from page 3 of the report:

In approving the proposed legislation, the committee wishes to emphasize that it does so on the basis that the legislation is required in the interest of national defense.

It is on that peg alone that we hang this bill, and that is the only reason that the Government is justified in spending \$35,000,000 as we were justified in spending \$700,000,000 to produce synthetic rubber without depending upon a source many thousands of miles away that could be cut off in time of war.

I continue reading from the report:

The committee has fully considered the possibility that the Government project in Central America might become unduly competitive with Philippine abacá and thereby operate to the detriment of Philippine economy. While there are those who express this fear, the proponents of the bill express the opinion that there will be a ready market for all of the abacá which the Philippines can produce, and that the competitive feature is more fancied than real. The com-

mittee takes the position that there are so many intangible considerations that no one can accurately forecast the end results of this undertaking.

I wish the Members to pay particular attention to the following paragraph:

The bill contains certain safeguards which are calculated to prevent this situation from arising. It authorizes the President to terminate any contracts for Central American abacá production, allowing only such additional time as is necessary to liquidate the operation. The committee has added an additional safeguard in that it has amended the bill to provide that the Congress, as well as the President, shall have the authority to terminate the contracts. The bill requires that a report be submitted to the Congress at the close of each fiscal year, and it is the intent of the committee that the matter shall be followed closely in order to determine at the earliest practicable date any effects which may be unduly detrimental to the Philippine economy, and to take such corrective steps as the circumstances may require.

So I think if anyone reads the bill, reads the report, really understands the intent of the committee, he can have no reasonable objection to this measure.

Mr. Chairman, I yield the balance of my time to the gentleman from Michigan [Mr. CRAWFORD].

Mr. CRAWFORD. Mr. Chairman, in the fall of 1935 I went to the southern part of Mindanao and brought back to Manila the first official record of the back-door intrigue into the Philippines by the Japanese who went in there and settled those great abacá plantations. Since 1935 I have watched the production and distribution of abacá throughout the world with a great deal of interest without one penny of financial interest, directly or indirectly, in the business.

During the Eightieth Congress I had the pleasure of introducing and having this great committee approve a bill dealing with the question of rubber supply for the United States which was referred to by the gentleman from Missouri [Mr. SHORT] a few minutes ago. That plan, supported by this committee, has saved the consumers of this country literally tens of millions of dollars in the rubber which they have consumed in the last 4 or 5 years.

Here is a bill which has to do with the cordage supply. Subparagraph (c) which I hope to strike from the bill with my amendment if I can get the necessary votes, takes the RFC out of the business of carrying stocks of this stuff and selling it to private industry. If \$35,000,000 is to be taken from the taxpayers to do this in the name of national defense and with our stockpiles almost absent, why in the name of goodness do we not put this production in the stockpile? If it is to be 3 years, as the subcommittee chairman has pointed out, before you have any production from the new acreage, by all means your production from the acreage, now running around 30,000,000 pounds per year, should go into the stockpile and not into the channels of commerce.

That is the purpose of the amendment which I shall offer when the bill is read for amendment under the 5-minute rule.

The CHAIRMAN. There being no further requests for time, the Clerk will read the bill for amendment.

The Clerk read the bill, as follows:

*Be it enacted, etc., That this act may be cited as the "Abacá Production Act of 1950."*

#### DECLARATION OF POLICY

SEC. 2. Whereas abacá, a hard fiber used in the making of marine and other cordage, is a highly strategic and critical material which cannot be produced in commercial quantities in the continental United States, and of which an adequate supply is vital to the industrial and military requirements for the common defense of the United States; therefore, it has been the policy of the United States to continue the program for production and sale of abacá in which it was engaged at the termination of hostilities of World War II, and it is hereby declared to be the policy of the United States to encourage abacá production throughout the world, and in that connection to further the development and maintenance of abacá production in the Western Hemisphere through aid and supplementation of operations under the Strategic and Critical Materials Stock Piling Act (60 Stat. 596) and the national security and common defense.

#### PROGRAM

SEC. 3. (a) Production of abacá in the Western Hemisphere shall be continued by the United States Government: *Provided*, That the total acreage under cultivation shall not exceed the aggregate under cultivation as of the close of the month next preceding the date upon which this act shall become effective, except that additional acreage may be added in the Western Hemisphere at the direction of the President and reduction of acreage under cultivation to abacá under this act shall be effected whenever the President shall so direct: *And provided further*, That in no event shall the total number of acres under cultivation to abacá under this act at any one time exceed 50,000.

(b) Such surveys and research may be undertaken as are necessary or desirable to obtain the best available land in the Western Hemisphere for the production of abacá, the best development of abacá and development and maintenance of the plantations for the production of abacá established on such land, and the most economical and practical processing and disposition of such fiber and byproducts as result from the production of abacá on such land.

(c) Abacá fiber, produced under this act, which from time to time is not needed for stockpiling under the Strategic and Critical Materials Stock Piling Act (60 Stat. 596), as amended, may be sold otherwise than for stockpiling under such act.

#### ADMINISTRATION

SEC. 4. (a) The President may issue such rules and regulations and make such determinations as he deems necessary and appropriate to carry out the provisions of this act.

(b) All contracts entered into and all acquisitions of property effected under this act shall be in such manner and on such terms and conditions as the President shall determine.

(c) The President may exercise any or all of the powers, authority, and discretion conferred upon him by this act through such departments, agencies, officers, Government corporations, or instrumentalities of the United States, whether or not existing at the date of the enactment of this act, as he may direct.

(d) The President may transfer to the departments, agencies, officers, Government corporations, or instrumentalities of the United States, or to any of them, which he directs to exercise the powers, authority, and discretion conferred upon him by this act, such facilities, personnel, property, and



records relating to such powers, authority, and discretion, as he deems necessary; and he may so transfer all appropriations or other funds available for carrying out such powers, authority, and discretion.

(e) The financial transactions authorized by this act shall be subject to the Government Corporation Control Act, as amended, and other laws specifically applicable to wholly owned Government corporations as a class.

#### FINANCING

SEC. 5. (a) For the purpose of carrying out the functions authorized by this act, there is hereby established in the Treasury, a revolving fund which shall consist of (1) such amounts as the Congress may appropriate thereto, which appropriations are hereby authorized, (2) such amounts as may be paid into the fund pursuant to subsection (e) of this section, and (3) amounts received in connection with any transfer pursuant to subsection 4 (d) of this act.

(b) Pursuant to regulations prescribed by the President, the Secretary of the Treasury is authorized and directed to make advances from the fund not to exceed a total of \$35,000,000 outstanding at any one time. There shall be added to such advances and treated as advances an amount equal to the net value of assets of the program for the production and sale of abacá as held by the Reconstruction Finance Corporation on the effective date of this act.

(c) Interest shall be paid on each outstanding advance at such rates as may be determined by the Secretary of the Treasury to be appropriate in view of the terms for which such advances are made.

(d) Appropriations are hereby authorized for payment in the form of a grant, in such amounts as may be estimated in the annual budget as necessary to cover losses. The annual budget program shall specifically set forth any losses sustained in excess of the grant previously made for the last completed fiscal year. Appropriations are hereby authorized for payment to cover such additional losses incurred.

(e) Receipts for each fiscal year may be used for payment of the costs incurred in connection with projects and activities authorized by this act. After providing out of such receipts for necessary working capital requirements, any amounts in excess thereof shall be paid annually into the fund. Such payment shall be applied to reduce the amount of advances outstanding, and any remaining payments shall be covered into the Treasury as miscellaneous receipts.

(f) Until such time as the appropriations herein authorized are made, such of the powers, authority, and discretion provided for in this act as the President may delegate to the Reconstruction Finance Corporation may be exercised by the Reconstruction Finance Corporation under the authority conferred by former section 5d (3) of the Reconstruction Finance Corporation Act, as amended (54 Stat. 573, 961; 55 Stat. 249); joint resolution approved June 30, 1945 (59 Stat. 310); and section 12 of the Reconstruction Finance Corporation Act, as amended (61 Stat. 207), with funds recovered or recoverable from its national defense, war, and reconversion activities.

#### DISPOSAL OF PROPERTY

SEC. 6. Whenever the President shall determine that any property is excess to the purposes of this act, or that adequate supplies of abacá will be available from other sources within the Western Hemisphere on a basis acceptable to the United States, property held for the purposes of this act may be disposed of in such manner and on such terms and condition as the President may prescribe.

#### REPORTS

SEC. 7. Within 6 months after the close of each fiscal year a report shall be submitted to the Congress on the activities under this act.

#### EFFECTIVE DATE AND DURATION

SEC. 8. This act shall become effective on April 1, 1950, and shall remain in effect for 10 years thereafter, unless the President shall direct earlier termination of operations, and for such further period as is necessary to the earliest practicable liquidation of operations under this act.

With the following committee amendment:

Page 7, line 13, after the word "the", insert: "Congress or the."

The committee amendment was agreed to.

Mr. CRAWFORD. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. CRAWFORD. On page 3, line 9, strike out subparagraph (c) and insert the following:

"(c) All abacá fiber produced under this act shall be utilized solely to fulfill the objectives for stockpiling under the Strategic and Critical Materials Stock Pile Act (60 Stat. 596), as amended, and when the objectives of such act as amended have been fulfilled, report shall be submitted to Congress. Nothing herein shall prevent rotation of such fiber as produced under this act where necessary to prevent deterioration, as provided in section 3 (d) of the Strategic and Critical Materials Stock Pile Act (60 Stat. 596), as amended, but such rotation shall be effected only after research and determinations under section 3 (b) of this act."

Mr. CRAWFORD. Mr. Chairman, I ask the Members to refer to line 9, page 3, of the bill, subparagraph (c) which provides that—

(c) Abacá fiber, produced under this act, which from time to time is not needed for stockpiling under the Strategic and Critical Materials Stock Piling Act (60 Stat. 596), as amended, may be sold otherwise than for stockpiling under such act.

This fiber is now being sold into the channels of trade. Of 3,000 bales offered just a short time ago, some 2,800 went into the channels of trade. This fiber, with our now critical situation, is not going into stockpiling, because it can be sold into the channels of trade. The channels of trade reach for it, naturally, because it is right here at their back door. They do not have to carry the ordinary or war risk insurance or interest risk from the Far East to the Atlantic seaboard. Naturally those private consumers of cordage fiber will support a proposal wherein the taxpayers, operating through the RFC, will carry those stocks for them and sell them to these individual users.

The amendment which I offer here does nothing in the world except preserve this production, financed with taxpayers money, for stockpiling purposes, plus, it provides for the rotation, so that the fiber carried over a period of time will not deteriorate. As our subcommittee has pointed out, it will be 3 years before you get production from this new acreage—not from the old acreage; do not get confused on that now—production from the new acreage, which means

to say that if you are going to have any substantial consumption of fiber, you are going to be buying fiber from the Philippine Islands for stock-piling, which means to say that as you bring it in you can rotate it with the production of Central American fiber under this bill and prevent your deterioration.

I cannot imagine on any ground how a person can oppose this amendment. I am not up here shedding salty tears for the protection of the people in the Philippines, as much as I like them, and as much as I respect them and as much as I have worked with them; I am talking about the defense of the United States first, because if the United States is defended, the Philippine Government and the Filipino people will have a chance for a place in the sun, and if we do not defend ourselves, what chance have the Philippines got? The Philippines are a Republic today because the Congress of the United States gave them their independence. And, incidentally, we did not give it to them with my support, because I refused to go along with that proposition, because I believed they could not stand on their own feet. Of course they cannot stand on their own feet, and we have to protect them. And, I repeat, if we go out of the Philippines, we will go out of the Far East; you can rest assured about that.

This amendment of mine should be adopted. It in no way interferes with this program except it interferes with the selling of this production subsidized with taxpayers' dollars into the private channels of commerce, and it has got no business there at the present time especially; it has no business there so long as the world is short of this type of fiber as it is today. We should adopt the amendment not just because somebody says something about the Philippines, but because it is good, ordinary horse sense and in defense of the United States to do so. This amendment will give protection in the price levels. It will encourage those people in the Philippines who are now geared and ready for production to go ahead and get the stuff out in the market and into the channels of trade, and it has the same effect with respect to sisal fiber that the operation of synthetic rubber plants have in this country with respect to giving us a supply of rubber. Those plants should be stepped up in production with respect to rubber, and I would support that. But, I think everyone understands the amendment. I do not want to take any more of your time, and I hope the amendment will be adopted.

Mr. SHORT. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, it is not at all agreeable to disagree with my good friend, the gentleman from Michigan [Mr. CRAWFORD]. However, the Department of Defense and the Munitions Board vigorously oppose any amendment to this measure that would require them to convert all Central American abacá production to the stockpile. The price of abacá before World War II was 7 cents a pound. Last week it was 24 cents a pound. Today it is 26 cents a pound. If all Central



American abacá production is put into the stockpile, the cordage industry in this country, that must be kept in a healthy condition, will be at the complete mercy of the abacá dealers in the Philippines. I am not questioning the motives of our Philippine friends, but I submit to you that it is a pretty bad thing for any nation to have a monopoly on any strategic material in this world. It certainly would be a dangerous thing for us to have to rely upon one source of supply that is so distant from the continental United States.

If this amendment is adopted, no one here can tell where the price of abacá would stop. Every cent of increase in price would come out of the pockets of the American taxpayers.

Like the gentleman from Michigan [Mr. CRAWFORD], I have only the kindest feeling and good will toward our Philippine friends. I do not think I ever had a more enjoyable time than I had in Manila in 1946. I have also had the privilege and pleasure of visiting Guatemala and other Central American countries. I like those countries, too. This is a matter of business, not sentimentality.

This amendment should be defeated.

Mr. DURHAM. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I hope the Committee will vote down the amendment. Suppose we were to adopt a similar policy on all of our strategic and critical materials that are bought and put into the stockpile, for instance, rubber. All of these materials have what we call a life expectancy. Some may last 2 years, some 3 years, some 10 years; and some of them, of course, are permanent. But to apply this restriction and not permit this abacá to go into the channels of trade would mean this. We hope to have peace here some time in our lifetime. Certainly we do not want to be sitting here with a frozen stockpile of billions of dollars' worth of stocks on our hands and not be able to sell them into the channels of industry in peacetime.

If you will read the Stockpiling Act, Public, 520, you will find that it laid down that principle to begin with. We have carried out that principle probably too far in the last 4 or 5 years because industry in this country has been running at a very high level. I think we have exercised wise judgment most of the time, but some of the items probably we have sold down to too small a stockpile.

We would run into the same difficulty if we were to tie down every one of them and adopt such a policy as this in our strategic stockpiling act. I certainly hope the House will vote down this amendment.

Mr. COLE of New York. Mr. Chairman, will the gentleman yield?

Mr. DURHAM. I yield.

Mr. COLE of New York. I have been favorably disposed toward the amendment offered by the gentleman from Michigan [Mr. CRAWFORD], but I am disturbed by the situation that is pointed out by the gentleman from Missouri [Mr. SHORT], the possibility that we

might permit ourselves to be victimized by unscrupulous Philippine operators. I am wondering if that market condition could not be corrected by the Government's disposing of such portion of the stockpile as might be necessary in order to level off the market price.

Mr. DURHAM. I would like to be able to assure the gentleman that if that could be done today it would please me very much, to say that we are in that position. But I cannot say to the gentleman that we can do that at the present time.

Mr. COLE of New York. Does the law give to the Munitions Board or to the Defense Department authority to sell out of the stockpile into the channels of normal trade and into the normal market?

Mr. DURHAM. Yes; Public Law 520.

Mr. COLE of New York. But in the opinion of the gentleman there are other factors involved which deny the Government the opportunity of correcting market conditions through the sale of Government stocks into the general market?

Mr. DURHAM. Yes, because if this Stockpile Act was used to go out and sell everything we had in a general market it would affect the market materially, or if we went out and purchased everything we needed tomorrow, it would be vice versa, so it has to be handled in a very careful manner. The gentleman knows those figures are all confidential.

Mr. COLE of New York. I realize that. In a general way I would assume that if the Government stocks were approaching the figure sought by the Government, then the Government would be in a position to release some Government stocks into the general market, but until that time is reached by the Government it would be dangerous for the Government to dispose of its own stocks just for the purpose of correcting market conditions.

Mr. DURHAM. If I were convinced that the stockpile is adequate, I would not be here today asking for this legislation. I thank the gentleman from New York for bringing out the points that he has.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield?

Mr. DURHAM. I yield.

Mr. CHAWFORD. The chairman read previously from the reports of the other body and this body and the hearings are full of information. Yet, with a shortage of production of sisal cordage all over the world here we are involved in this thing with the front-line pages of the newspapers calling for total mobilization and this committee at this very moment sits here and recommends that we turn these stocks into private channels. Where is the defense of the United States?

Mr. DURHAM. I do not believe the gentleman wants to force us into the situation where we would be paying 40 cents for cordage material to go into the stockpile.

Mr. CRAWFORD. Let us take charge of the stocks and hold them for the defense of our own country and let us tell

the consumers to cut out the consumption of goods until we win this fight.

Mr. DURHAM. I am sure the gentleman also recognizes the fact that the industrial production in this country is probably one of the greatest things today that Stalin has in his mind.

Mr. SHORT. Mr. Chairman, will the gentleman yield?

Mr. DURHAM. I yield.

Mr. SHORT. No Member, Mr. Chairman, should have the fears expressed by the gentleman from Michigan. Certainly this Government, the Department of Defense, and the Munitions Board will take all of the Central American abacá for defense purposes for our stockpile if we need it. Bear in mind that if we had not had a synthetic rubber industry in this country today, we would perhaps be paying twice as much for rubber tires as we have been paying since the close of the last global conflict.

Mr. DURHAM. I might say to the gentleman today that we would extend our contracts for as long as 10 years if it would assure us of securing abacá for the stockpile and secure our national defense.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Michigan [Mr. CRAWFORD].

The question was taken; and on a division (demanded by Mr. CRAWFORD) there were—ayes 12, noes 58.

So the amendment was rejected.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. LYNCH, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill S. 3520, pursuant to House Resolution 717, he reported the same back to the House with an amendment adopted in the Committee of the Whole.

Mr. DURHAM. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on agreeing to the amendment.

The amendment was agreed to.

The SPEAKER. The question is on the third reading of the Senate bill.

The bill was ordered to be read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

The bill was passed.

A motion to reconsider was laid on the table.

#### ~~BUDGET AND ACCOUNTING PROCEDURES ACT OF 1950~~

Mr. MADDEN. Mr. Speaker, I call up House Resolution 729 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

*Resolved*, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 9038) to authorize the President to determine the form of the national budget and of the departmental estimates, to modernize and simplify governmental ac-







By Mr. MAGNUSON:

S. 3997. A bill to encourage the development and expansion of privately owned tramp shipping operations under the United States flag, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. MAGNUSON (for himself, Mr. HOLLAND, Mr. O'CONOR, Mr. PEPPER, and Mr. MORSE):

S. 3998. A bill to amend chapter 61 (relating to lotteries) of title 18, United States Code, to make clear that such chapter does not apply to nonprofit contests wherein prizes are awarded for the specie, size, weight, or quality of fish caught by the contestant; to the Committee on the Judiciary.

By Mr. ELLENDER:

S. 3999. A bill to authorize Edwin B. Kirwin, of New Orleans, to accept the award of the Palme d'Academie tendered by the Government of France; to the Committee on Foreign Relations.

By Mr. SPARKMAN:

S. 4000. A bill for the relief of Ernestine Bacon Jacobs; to the Committee on the Judiciary.

S. 4001. A bill to authorize certain administrative expenses in the Government service; to the Committee on Expenditures in the Executive Departments.

#### GENERAL APPROPRIATIONS—AMENDMENTS

Mr. LUCAS submitted an amendment intended to be proposed by him to the bill (H. R. 7786) making appropriations for the support of the Government for the fiscal year ending June 30, 1951, and for other purposes, which was ordered to lie on the table and to be printed.

Mr. SMITH of New Jersey submitted an amendment intended to be proposed by Mr. BRIDGES (for himself and other Senators) to House bill 7786, supra, which was ordered to lie on the table and to be printed.

#### REDUCTION OF EXCISE TAXES—AMENDMENTS

Mr. THYE. Mr. President, I submit amendments intended to be proposed by me to the bill (H. R. 8920) to reduce excise taxes, and for other purposes. The amendments relate to an additional allowance for military, naval, and air force personnel in connection with exclusions from gross income for servicemen, in the case of compensation received after June 30, 1950, for active service.

The VICE PRESIDENT. The amendments will be received, referred to the Committee on Finance, and printed.

#### KEYNOTE SPEECH BY SENATOR THOMAS OF UTAH TO THE UTAH DEMOCRATIC CONVENTION

[Mr. LUCAS asked and obtained leave to have printed in the RECORD the keynote address delivered by Senator THOMAS of Utah at the Utah State Democratic Convention on July 29, 1950, which appears in the Appendix.]

#### ANNUAL REPORT OF DAIRYLAND COOPERATIVE ASSOCIATION—STATEMENT BY SENATOR WILEY

[Mr. WILEY asked and obtained leave to have printed in the RECORD a statement prepared by him on the subject of the annual

report of the Dairyland Association, of Juneau, Wis., which appears in the Appendix.]

#### UNITED STATES PLANES, PILOTS DANGEROUSLY FEW—ARTICLE FROM THE BOSTON HERALD

[Mr. BREWSTER asked and obtained leave to have printed in the RECORD an article entitled "United States Planes, Pilots Dangerously Few," written by Bob Sibley, and published in the Boston Herald of July 9, 1950, which appears in the Appendix.]

#### AS THE PEASANT GOES, SO WILL GO ASIA—ARTICLE BY WOLF I. LADEJINSKY

[Mr. LANGER asked and obtained leave to have printed in the RECORD an article entitled "As the Peasant Goes, So Will Go Asia," written by Wolf I. Ladejinsky and published in the Washington Post of July 30, 1950, which appears in the Appendix.]

#### THE VOICE OF AMERICA AND A MARSHALL PLAN OF IDEAS—EDITORIAL COMMENT

[Mr. CHAPMAN asked and obtained leave to have printed in the RECORD two editorials, one entitled "A Clear Voice Needed Instead of a Whisper," published in the Louisville Courier-Journal of July 4, 1950, the other entitled "Let Us Give the World Ideas as Well as Bullets," published in the Louisville Times of July 10, 1950, which appear in the Appendix.]

#### THE SALVATION ARMY IN CZECHOSLOVAKIA

[Mr. MARTIN asked and obtained leave to have printed in the RECORD a statement by the general of the Salvation Army in Czechoslovakia, which appears in the Appendix.]

#### THE CASE AGAINST YELLOW OLEOMARGARINE—ADDRESS BY S. J. MAUHS

[Mr. LEHMAN asked and obtained leave to have printed in the RECORD a radio address on the subject The Case Against Yellow Oleomargarine, delivered by Assemblyman S. J. Mauhs, of Schoharie County, N. Y., on April 7, 1950, which appears in the Appendix.]

#### MANPOWER RESOURCES OF RED CHINA—ANALYSIS BY HENRY G. MAZLEN

[Mr. LEHMAN asked and obtained leave to have printed in the RECORD an analysis entitled "Manpower Resources of Red China," prepared by Henry G. Mazlen, a demographer at National University, Washington, D. C., which appears in the Appendix.]

#### SEAWAY'S LAST CHANCE

[Mr. HUMPHREY asked and obtained leave to have printed in the Appendix of the RECORD an article entitled "Seaway's Last Chance," written by Alfred D. Stedman, and published in the St. Paul (Minn.) Pioneer Press of June 18, 1950, which appears in the Appendix.]

#### HOUSEHOLD HINTS FOR HOARDERS—POEM BY DAVID L. COHN

[Mr. RUSSELL asked and obtained leave to have printed in the RECORD a poem entitled "Household Hints for Hoarders," by David L. Cohn, which appears in the Appendix.]

#### WE CANNOT SELL OUR IDEALS ABROAD IF THEY DIE AT HOME—EDITORIAL FROM THE SATURDAY EVENING POST

[Mr. BUTLER asked and obtained leave to have printed in the RECORD an editorial entitled "We Can't Sell Our Ideals Abroad if They Die at Home," from a recent issue of the Saturday Evening Post, which appears in the Appendix.]

#### FEDERAL WATER AND POWER POLICY—ADDRESS BY THOMAS W. DELZELL

[Mr. MORSE asked and obtained leave to have printed in the RECORD an address delivered by Thomas W. Delzell, chairman of the board of the Portland General Electric Co., making suggestions for a clarified and fair Federal water and power policy, which will appear hereafter in the Appendix.]

#### USE OF OUR NATIONAL DEFENSE FUNDS

Mr. HUMPHREY. Mr. President, innumerable questions have been asked concerning the use of our national defense funds. These are legitimate questions from sincere and patriotic citizens. The Washington Evening Star for July 22, 1950, performs a true public service by presenting an editorial analysis of defense expenditures. It dramatizes the tremendous cost of military preparations. I ask unanimous consent to have the editorial printed in the body of the RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

#### WHERE DID THE MONEY GO?

Letters to the Star are asking what a great many war-worried citizens and taxpayers are asking these days: Where did all the billions appropriated for defense since World War II (\$95,600,000,000) go? Why, with such enormous expenditures to make us militarily strong, did the Red attack in Korea find us so tragically weak? Why have we so few modern tanks, so few modern antitank weapons, so few planes, so few ships, so few of everything needed for national safety? Just how were our defense dollars spent?

In an effort to find the answers to these pertinent questions the Star asked Defense officials for a break-down of military expenditures since VJ-day. The figures supplied reveal how amazingly little of the defense dollar goes for the purchase of actual fighting equipment. Few persons realize that of every dollar they have contributed to the Army, Navy, and Air Force only 18 cents have gone for guns and ammunition and tanks for the ground troops, aircraft for the flyers, ships for the Navy. The biggest slice of the dollar—40 cents—went for pay, food, clothing, and transportation. The tabulation below gives a rough break-down of the defense dollar, based on expenditures since the close of the late war:

Item	Cents
Salaries, food, clothing, transportation	40
Operations and maintenance of equipment	26
Weapons, planes, ships, etc.	18
Research and development	5
Administration and secret work	4½
Reserves and National Guard	4
Industrial mobilization	1
Retired pay (nearly)	1
Construction, public works	½
Total	100

Defense expenditures for the 5 years since VJ-day have far exceeded the peak World War II budget of \$84,500,000,000 for 1945. The postwar budgets were: 1946, \$45,134,000,000; 1947, \$14,316,000,000; 1948, \$10,961,000,000; 1949, \$11,914,000,000; and 1950 (exclusive of Korean supplementary budget), \$13,335,000,000. That totals \$95,650,000,000. This sum includes stockpiling and certain other costs not regularly encompassed in the military budget. The Defense Depart-



ment lists the expenses, exclusive of stockpiling and the other extras, at a little less than \$91,000,000,000 from July 1945, to June 30 of this year. Nearly \$42,000,000,000 of this was spent during the let's-bring-the-boys-home-quick demobilization period, from the latter part of 1945 to June 1946. Vast sums during this period also were paid for material already used in the war, much of which was destroyed or consumed and hence did not add to our postwar strength. Included also were contract settlements. From July 1, 1946, to June 30, 1947, we continued demobilization and spent about \$14,000,000,000. Since then we have spent approximately \$35,000,000,000 for defense.

Defense officials say the best measure of military spending, as it relates to what we have to show for our money today, is the authorized outlays for the 4-year period from July 1, 1946, to June 30, 1950. During this time Congress authorized \$49,300,000,000 for the military, of which \$48,400,000,000 has been spent to date and nearly a billion more will have been spent by the end of this fiscal year. Almost \$20,000,000,000 went for payrolls, food, clothing, and travel, \$13,000,000,000 for operating and maintaining military installations and tactical equipment around the globe and \$8,500,000,000 for procurement of planes, tanks, rifles, artillery, ships, and other combat tools.

During this cold-war era, it should be remembered, occurred the costly airlift operations and the support of our occupation troops in Europe and Japan—expenses not ordinarily budgeted in time of so-called peace. In summation, our defense dollar has had a huge chunk eaten out of it by ordinary and extraordinary expenses that produced no tangible equipment for our foot soldiers, fliers, sailors and marines. In fact, 70 cents of the dollar went for housekeeping and operational costs. If there is any possible way to reduce the drain on the defense dollar, the Defense Department has been unable to find it. For our fighting men must not only be supplied with arms but must be paid, fed, clothed, housed, and transported. It is for such essential things that our money—nearly \$100,000,000,000 of it—has gone during the past half decade of an uneasy peace.

#### THE LATE ALBERT B. REPLOGLE

Mr. MURRAY. Mr. President, yesterday afternoon the late Albert B. Replogle, a prominent citizen of my State of Montana, and a distinguished hero of World War I, was buried with full military honors in Arlington National Cemetery.

Few men have served their country in the armed services with greater distinction than Bert Replogle. He joined the Army on September 7, 1917, and served with the Ninety-first Division of the Three Hundred and Sixty-second Infantry. In the bloody battle of Argonne he led his group in a frontal attack on entrenched enemy positions and was severely wounded in that engagement. Subsequently, Mr. Replogle was awarded the Distinguished Service Medal and the Purple Heart.

Because of his outstanding service to the United States during World War I, Mr. Replogle was nominated by Gov. Joseph Dixon, of Montana, in 1921, as our State's most distinguished soldier.

Upon invitation by the late President Harding, he was a delegate to the ceremonies committing the body and dedicating the Tomb of the Unknown Soldier of World War I.

Mr. Replogle lived in Lewistown, Mont., for most of his adult life, and had been engaged in the practice of law there for over 20 years. During those years he devoted his unremitting efforts to the interests of veterans—not only of World War I, but of World War II, as well. He was past State commander of the Disabled American Veterans, and a member of the Veterans of Foreign Wars and the American Legion.

I think it fitting to make these few remarks on the floor of the Senate in honor of Bert Replogle, whose valor, patriotism, and heroism in war, as well as his loyal service in the cause of the veterans of the State and Nation in peacetime, have earned him an enduring place in the memories of all those who have served the United States on the field of battle.

#### PRODUCTION OF ABACÁ BY THE UNITED STATES

The VICE PRESIDENT laid before the Senate the amendment of the House of Representatives to the bill (S. 3520) to strengthen the common defense by providing for continuation and expansion of Western Hemisphere production of abacá by the United States, which was, on page 7, line 10, after "the" insert "Congress or the."

Mr. HUNT. Mr. President, I move that the Senate concur in the amendment of the House.

The motion was agreed to.

#### EXPORT OF STRATEGIC MATERIALS FROM ECA COUNTRIES TO RUSSIA AND SATELLITE NATIONS

Mr. WHERRY. Mr. President, yesterday in support of an amendment which I offered to the ECA portion of the appropriations bill, my amendment prohibiting the shipment of strategic materials by ECA countries to satellite countries or directly to Russia, I made a statement relative to the amount of exports which had been delivered by ECA countries to Russia or her satellites, totaling approximately \$1,000,000,000, and so far this year amounting to approximately \$200,000,000. The Senior Senator from Arizona [Mr. HAYDEN] asked me whether I could furnish a breakdown to show whether the \$200,000,000 included strategic materials. At this point in the RECORD I ask unanimous consent—because of the limited time available for insertions in the RECORD—to have printed the amendment I offered yesterday to the committee amendment and a statement which I have prepared, which gives the Senator from Arizona the information he requested in his query of yesterday.

There being no objection, the amendment and statement were ordered to be printed in the RECORD, as follows:

Amendment proposed by Mr. WHERRY to the bill (H. R. 7786) making appropriations for the support of the Government for the fiscal year ending June 30, 1951, and for other purposes, viz: On page 448, line 24, strike out the period and insert a colon and the following: "Provided further, That, during any period during which the Armed Forces of the United States are actively engaged in hostilities while carrying out any decision of the Security Council of the United Nations, no part of the funds appropriated in this paragraph shall be used to provide assistance to any participating country which exports or permits the exportation, to the Union of Soviet Socialist Republics or any of its satellite countries (including China and Northern Korea), of any article or commodity usable by, or which may be used in the manufacture of any article or commodity which may be useful to, the armed forces of the Union of Soviet Socialist Republics or such satellite countries."

#### STATEMENT BY SENATOR WHERRY

Mr. President, to complete remarks which I made yesterday regarding the export of strategic materials from participating ECA countries to Russia and her satellite nations in eastern Europe, I ask unanimous consent to include in the RECORD today, a tabulation obtained by me from the Fiscal and Trade Policy Division of the Economic Cooperation Administration.

The points that I made in my statement yesterday regarding the lack of administration of section 117 (d) of the Foreign Assistance Act of 1948, are amply demonstrated by this information, which was secured only after days of effort by my staff, and which at best is incomplete and long overdue.

I submit it to show that information is not available as to the movement of exports from the ECA countries from the ECA Administration—either in accurate or timely form. It shows that \$186,347,000 in trade was conducted by western European countries to eastern Europe, in the first quarter of 1950, although information is not available for three countries; particularly the bizone of Germany shipments of strategic materials into Russia, according to intelligence reports.

My friend, the senior Senator from Arizona, asked me yesterday if the \$200,000,000 of materials claimed to be shipped from Germany to Russia, in a newspaper article, which I quoted in the RECORD yesterday, were strategic materials. I said I did not know what percentage were.

However, this breakdown of export shipments furnished by the ECA, which gives commodities shipped for the fourth quarter of 1949 (although it lacks them for first quarter 1950), shows conclusively that the predominance of shipments were in crude and semi-finished steel, hot finished steel and end products—and in electrical machinery, industrial equipment and transportation equipment.

I believe that answers, as far as information is available to us through ECA Administration—that exports from ECA participating countries do include war potential materials and manufactures—it is further evidenced that the ECA Administration has not secured the cooperation of ECA countries to curtail such export traffic, at the expense of our national security—as is required by the Foreign Assistance Act of 1948.







[PUBLIC LAW 683—81ST CONGRESS]

[CHAPTER 673—2D SESSION]

[S. 3520]

AN ACT

To strengthen the common defense by providing for continuation and expansion of Western Hemisphere production of abacá by the United States.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That this Act may be cited as the "Abacá Production Act of 1950".

DECLARATION OF POLICY

SEC. 2. Whereas abacá, a hard fiber used in the making of marine and other cordage, is a highly strategic and critical material which cannot be produced in commercial quantities in the continental United States, and of which an adequate supply is vital to the industrial and military requirements for the common defense of the United States; therefore, it has been the policy of the United States to continue the program for production and sale of abacá in which it was engaged at the termination of hostilities of World War II, and it is hereby declared to be the policy of the United States to encourage abacá production throughout the world, and in that connection to further the development and maintenance of abacá production in the Western Hemisphere through aid and supplementation of operations under the Strategic and Critical Materials Stock Piling Act (60 Stat. 596) and the national security and common defense.

PROGRAM

SEC. 3. (a) Production of abacá in the Western Hemisphere shall be continued by the United States Government: *Provided*, That the total acreage under cultivation shall not exceed the aggregate under cultivation as of the close of the month next preceding the date upon which this Act shall become effective, except that additional acreage may be added in the Western Hemisphere at the direction of the President and reduction of acreage under cultivation to abacá under this Act shall be effected whenever the President shall so direct: *And provided further*, That in no event shall the total number of acres under cultivation to abacá under this Act at any one time exceed fifty thousand.

(b) Such surveys and research may be undertaken as are necessary or desirable to obtain the best available land in the Western Hemisphere for the production of abacá, the best development of abacá and development and maintenance of the plantations for the production of abacá established on such land, and the most economical and practical processing and disposition of such fiber and byproducts as result from the production of abacá on such land.



(c) Abacá fiber, produced under this Act, which from time to time is not needed for stockpiling under the Strategic and Critical Materials Stock Piling Act (60 Stat. 596), as amended, may be sold otherwise than for stockpiling under such Act.

#### ADMINISTRATION

SEC. 4. (a) The President may issue such rules and regulations and make such determinations as he deems necessary and appropriate to carry out the provisions of this Act.

(b) All contracts entered into and all acquisitions of property effected under this Act shall be in such manner and on such terms and conditions as the President shall determine.

(c) The President may exercise any or all of the powers, authority, and discretion conferred upon him by this Act through such departments, agencies, officers, Government corporations, or instrumentalities of the United States, whether or not existing at the date of the enactment of this Act, as he may direct.

(d) The President may transfer to the departments, agencies, officers, Government corporations, or instrumentalities of the United States, or to any of them, which he directs to exercise the powers, authority, and discretion conferred upon him by this Act, such facilities, personnel, property, and records relating to such powers, authority, and discretion, as he deems necessary; and he may so transfer all appropriations or other funds available for carrying out such powers, authority, and discretion.

(e) The financial transactions authorized by this Act shall be subject to the Government Corporation Control Act, as amended, and other laws specifically applicable to wholly owned Government corporations as a class.

#### FINANCING

SEC. 5. (a) For the purpose of carrying out the functions authorized by this Act, there is hereby established in the Treasury, a revolving fund which shall consist of (1) such amounts as the Congress may appropriate thereto, which appropriations are hereby authorized, (2) such amounts as may be paid into the fund pursuant to subsection (e) of this section, and (3) amounts received in connection with any transfer pursuant to subsection 4 (d) of this Act.

(b) Pursuant to regulations prescribed by the President, the Secretary of the Treasury is authorized and directed to make advances from the fund not to exceed a total of \$35,000,000 outstanding at any one time. There shall be added to such advances and treated as advances an amount equal to the net value of assets of the program for the production and sale of abacá as held by the Reconstruction Finance Corporation on the effective date of this Act.

(c) Interest shall be paid on each outstanding advance at such rates as may be determined by the Secretary of the Treasury to be appropriate in view of the terms for which such advances are made.

(d) Appropriations are hereby authorized for payment in the form of a grant, in such amounts as may be estimated in the annual budget as necessary to cover losses. The annual budget program shall spe-

cifically set forth any losses sustained in excess of the grant previously made for the last completed fiscal year. Appropriations are hereby authorized for payment to cover such additional losses incurred.

(e) Receipts for each fiscal year may be used for payment of the costs incurred in connection with projects and activities authorized by this Act. After providing out of such receipts for necessary working capital requirements, any amounts in excess thereof shall be paid annually into the fund. Such payment shall be applied to reduce the amount of advances outstanding, and any remaining payments shall be covered into the Treasury as miscellaneous receipts.

(f) Until such time as the appropriations herein authorized are made, such of the powers, authority, and discretion provided for in this Act as the President may delegate to the Reconstruction Finance Corporation may be exercised by the Reconstruction Finance Corporation under the authority conferred by former section 5d (3) of the Reconstruction Finance Corporation Act, as amended (54 Stat. 573, 561; 55 Stat. 249); joint resolution approved June 30, 1945 (59 Stat. 310); and section 12 of the Reconstruction Finance Corporation Act, as amended (61 Stat. 207), with funds recovered or recoverable from its national defense, war, and reconversion activities.

#### DISPOSAL OF PROPERTY

SEC. 6. Whenever the President shall determine that any property is excess to the purposes of this Act, or that adequate supplies of abacá will be available from other sources within the Western Hemisphere on a basis acceptable to the United States, property held for the purposes of this Act may be disposed of in such manner and on such terms and conditions as the President may prescribe.

#### REPORTS

SEC. 7. Within six months after the close of each fiscal year a report shall be submitted to the Congress on the activities under this Act.

#### EFFECTIVE DATE AND DURATION

SEC. 8. This Act shall become effective on April 1, 1950, and shall remain effective for ten years thereafter, unless the Congress or the President shall direct earlier termination of operations, and for such further period as is necessary to the earliest practicable liquidation of operations under this Act.

Approved August 10, 1950.

